

THE GREAT SETTLEMENT



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THE GREAT SETTLEMENT

THE
GREAT SETTLEMENT

BY C. ERNEST FAYLE

WITH MAPS

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1915

PREFATORY NOTE

As a Trustee of the Garton Foundation I gladly say a word to those who may read Mr. Fayle's thoughtful book.

The Foundation invites, as it has always done, academic discussion of questions relating to War and Peace. It has never, as a Foundation, expressed disapproval of, or concurrence with, the views of those who have written or spoken under its auspices. Free discussion was the atmosphere in which the Foundation was born and lives.

I am not concerned with Mr. Fayle's presentment of historical facts or with his deductions. For the ability and clearness of his statements he alone is responsible.

My views, if they interest any one, I share with the majority of our countrymen. The German cult and German methods are alike abhorrent to me. Since we have been forced to draw the sword, I would never willingly sheathe it till both are in the dust. If the

free nations of Europe consent to a Peace under any other conditions it will be no Peace. Our children and our children's children will then have to suffer again what we are suffering to-day. Our struggle is not only against a military caste. It is a fight to the death with a nation steeped in odious fallacies, bred on hateful dogmas, and imbued with a false philosophy of life and its aims.

Peace can only be the outcome of victory or exhaustion. When the point of discussing terms has been reached, when the machinery for ensuring tranquillity in Europe has to be fashioned, the settlement will be in the hands of men entrusted with tremendous powers, but only more or less adequately equipped for the task. Let them ponder beforehand upon the lessons of history, reflect upon the mistakes of their ancestors, and examine the varied aspects of the problem they will have to solve. Mr. Fayle's book is a most able contribution to such an inquiry.

During the war I have lived much with the French Armies and among the French people. There is no soldier of France, and very few of her men and women, to whom the issues at stake are not pellucidly clear.

Their agony, and sacrifice of wealth, of

blood, and of life, are not laid upon the altar of ambition. They are not offered for territory or power, for commercial predominance or to impose French ideas upon mankind. They are a contribution, by France, of her youth and manhood, of the tears of her women and children, to the cause of freedom, and the inherent right of free races and free nations to live their own lives in their own manner.

This is the supreme objective of the war. No diplomatic compromises, no shuffling of the European cards, no redrawing of the map of Europe, in the narrower interests of this or that Great Power, that fails to secure it, will prove to be more than an armed and minatory truce.

ESHER.

FRANCE,
April 1915.

AUTHOR'S NOTE TO AMERICAN EDITION

IT may be asked why Americans should interest themselves in the details of what is likely to happen in Europe at the close of the present war. The answer to this question is to be found in the history of the war itself. No conflict on the present scale can be waged in Europe without profoundly affecting American interests, and it is of the first importance to America that this stupendous conflict should be followed by a real settlement, giving reasonable hope of security and permanence, and not by a mere patched-up truce, containing the seeds of future wars no less gigantic and devastating. It may seem to matter very little to a citizen of the United States whether an odd million or two of Serbs and Croats should remain under the Austrian Crown or be united to their independent kinsmen, but it matters immensely to Americans whether the future is to see Europe

peaceful and productive, a good market and a good neighbour ; whether the sanctity of international law is to be strengthened or destroyed ; whether the policy of the European Powers is to be guided by considerations of justice, by the conception of international co-operation for world development, or by a dream of conquest and domination. Not only the interests of American commerce, but the course of American policy and armaments must be determined to no small extent by the future development of Europe, and that development depends, not perhaps upon each detail of the settlement, but upon the principles which underlie whatever arrangements are effected.

It is this question of the underlying principles which is the crux of the matter. It is not likely that all the problems discussed in this book will be finally settled at the peace. But upon the spirit in which they are approached will depend the future policy of the Powers and the possibility of gradually settling those questions which remain outstanding. It is because it treats of the principles underlying each separate problem that this book is offered to American readers.

The book is written by an Englishman,

and to those whose studies have lain chiefly in the history of the New World, with its clear fields for experiment, it may seem to lay overmuch emphasis upon the limitations imposed by circumstances, by the dead-weight of the past, by historical associations. But if Americans are to understand not only what is desirable, but what is possible, in the shaping of the Europe of to-morrow, they must take account of these limitations. It is certain that they cannot be ignored by those in whose hands the destinies of Europe will lie. We shall be dealing with States in very varying stages of development, with those like France or Britain, who have been among the leaders of civilisation for centuries, with those like Russia, whose history as members of the world community lies largely before them, States united by historic friendships or divided by age-long feuds, having policies and desires stretching far back into the past. The vital concern of America in European conditions, the possibility of her entrance into that World Alliance which is the subject of the concluding chapter of this book, render these considerations of practical politics of living interest to Americans.

The author can, of course, speak only for

himself. But he believes that this book does substantially represent the views of a very large section in this country who look forward to the victory of the Allies not only from motives of patriotism, but because it seems to them to afford a hope, in the words of the British Prime Minister, of "the vindication of public right in Europe."

When this book was written Italy had not yet entered into the conflict, but her claims will be found fully discussed and the considerations put forward do not appear to call for modification.

C. ERNEST FAYLE.

LONDON,
July 1915.

AUTHOR'S PREFACE

THE object of this book is to set forth as briefly and as clearly as possible the problems which have created or have been created by the present war, which will become of overwhelming importance when the time comes for considering terms of peace and which must inevitably form the chief preoccupation of European politics for the next two or three generations. At the root of the political and racial conflicts in which these problems have become embodied there will be found a deeper conflict of ideas, a more subtle antagonism between two opposed conceptions of the nature of States and the elements of national greatness. On the one hand there is the theory of a natural law of struggle between States and of military power as not merely a necessity of existence but the ultimate sanction of conduct in international affairs—a theory from which it follows that the smaller nations can hope to exist, if at

all, only on the sufferance of the stronger, and that the greatness of a nation consists in its successful exercise of military power, without regard to the justice or morality with which that power is used. On the other hand, there is the conception of civilised nations as forming a community founded upon common interests and upon certain generally accepted ideas of international law and equity, a community of which every member has the right to develop its own culture and its own institutions in peace and security so long as it refrains from wanton interference with the affairs of its neighbours. With this conception is bound up the principle of nationality, which means simply the right of a population united by race and language, or by common history and traditions, to live under the government of its own choice. My aim has been to trace the working of these opposed conceptions in the conditions and events which led up to the war; to examine their bearing upon the questions which will have to be answered at its close; and to see what light they throw upon the possibility of safeguarding Europe against a repetition of the catastrophe.

It is this last problem, the preservation of

Europe from future conflicts on this scale, which dwarfs all others in importance. In dealing with each question, territorial, racial, colonial, economic or political, I have endeavoured to bring it to this test—what solution will make most surely for the stability and security of the European Society? At the same time, I have kept in mind the necessity for subordinating theories to facts and I have sought to deal with each problem in the light of practical politics, of the conditions which actually exist, even where this involved the rejection of schemes theoretically preferable.

It is perfectly true that the conditions which will obtain at the close of the war are in large part a matter of conjecture. This may and probably does render it useless to discuss any detailed programme whether for the terms of peace or for the future policy of the Powers, but our knowledge of the present situation and an analysis of the causes from which it has arisen will at least throw light upon the general principles which make for liberty and security on the one hand, for unrest and conflict on the other. It is with these general principles that I have been chiefly concerned. If we are to achieve

a settlement which shall contain the elements of permanence, which shall pave the way for the creation, in whatever form, of that recognised European Community (forming the subject of my concluding chapter) which has been foreshadowed by more than one of our leading statesmen, it will be by the acceptance of a few outstanding principles—the rights of nationalities, the sanctity of international law, the equal rights of small States, the necessity for international co-operation in preserving order and in the development of the world's resources. It is far more important that we should realise the bearing of these principles upon the problems presented to us than that we should have a definite and detailed programme for the settlement of each individual question.

Many of these questions have been admirably treated in books or in periodicals since the outbreak of the war. To many of the *Oxford Pamphlets*, to the *post-bellum* numbers of the *Round Table*, to the writings of Mr. Seton-Watson, Mr. G. M. Trevelyan, and others upon the questions of race and nationality, I feel myself gratefully indebted. There have appeared also many pamphlets and articles dealing with the general issues

of the war and suggested reconstructions of European society. But I am not aware that an attempt has yet been made to present a survey of the problems of the war and the settlement *as a whole* and to found upon that survey an inquiry into the practical prospects of establishing some such understanding between the European nations as shall preserve us from a repetition of the events of last summer. This is what I have tried to do, and as I have endeavoured throughout to be suggestive rather than dogmatic, I hope that the book may serve at least as a starting-point for discussion.

To the Garton Foundation for encouraging the Study of International Polity I owe the opportunity of writing this book and access to most of the material on which it is based. I have to express my gratitude to Lord Esher and Sir Richard Garton for their active interest and encouragement, without which it would hardly have been written.

I am also indebted to Lord Parker of Waddington for his advice and suggestions on the general treatment of the subject; to Mr. C. Roden Buxton and Mr. J. M. Keynes for their criticisms on various points dealt with in the fourth and sixth chapters re-

spectively ; and to Mr. John Hilton of the Garton Foundation and Mr. Harold Wright of Cambridge for generous assistance in the work of revision.

C. ERNEST FAYLE.

LONDON,
April 1915.

CONTENTS

CHAPTER I

THE NECESSITY OF A SETTLEMENT

National unanimity with regard to the war—Revolt against the Prussian theory of aggression—The determination to achieve future security—Military victory essential but not sufficient—A European settlement the only security for peace—The necessity of understanding the problems of the settlement—The underlying causes of wars—The doctrine of armed rivalry and domination—The doctrine of agreement and co-operation—The one has given us war—Will the other give us peace? . . . pp. 1-16

CHAPTER II

THE ORIGINS OF THE WAR

The real issues of the war deeper than its immediate cause—The significance of the Austro-Serbian quarrel—The Austro-Hungarian Empire and the principle of domination—Austrian policy in the Balkans and the development of Serbian nationality—Why war became inevitable—Russia's position with regard to the Slav States—The struggle for prestige in the Balkans—The collision of Austrian and Russian policies—Germany as the ally of Austria—The unification of Germany and her rise as a Great Power—The price of Prussian leadership—Moral effects of the war of 1870—Alsace and Franco-German relations—The Dual Alliance—Anglo-German relations—The *Entente*—The guarantee of Belgian neutrality—The grouping of the Powers—The outbreak of war—The attitude of Italy . pp. 17-41

CHAPTER III

THE PRINCIPLES OF THE SETTLEMENT

The "crushing" of Germany, will it give us permanent security?—A warning from history—Treaties of Peace and the seeds of war—Wars of revenge—Wars arising from division of the spoils—Conquered provinces as sources of unrest—The menace of artificial arrangements of territory—The Congress of Vienna and its attempt at a settlement—The Holy Alliance—The idea of security by treaty—The principle of nationality—What is a nation?—Nationality and the settlement—Independence and autonomy—The value and limitations of guarantees—The changing conceptions of international relations and their bearing upon the settlement—The objects of the Allies—Justice and expediency in the settlement—The relation of strategical to political considerations—Shall the settlement be European?—The position of the neutrals—The common interests of nations—The place of Germany in the European system—The possibility of a European *entente*—The place of Utopia in practical politics pp. 42-80

CHAPTER IV

THE TERRITORIAL PROBLEMS OF THE SETTLEMENT

The principle of nationality in the settlement—"Re-drawing the map of Europe"—The futility of dogmatism—The unknown factors—Geographical and economic factors and their bearing upon nationality—The problems of Austria-Hungary—Disintegration or federation?—Is federation possible to-day?—The fears of a Slav hegemony—The Slav menace and Slav grievances—The German Empire and nationality—The actual problems—*Poland*—The partitions—The three Polands—The Russian proclamation—The revival of Polish nationality—Some questions of frontiers—*The Ruthenes*—Their relations with Russia—The future of the Ruthenian districts—*The Czechs*—Shall the Czech question be included in the settlement?—Autonomy or independence?—The Germans in Bohemia—The Slovaks—*The Southern Slavs and Greater Serbia*—Serbs, Croats,

and Slovenes—Do they desire union?—The capacity of the Southern Slavs for self-government—Greater Serbia—Italy and the coast provinces—*Albania—Montenegro*—A Southern Slav Confederation—*The Roumanians in Transylvania*—The position of Roumania in Balkan politics—The demand for Roumanian unity—Roumanian intervention—Bessarabia—Bulgaria and a Balkan *entente*—*The Balkan rapprochement*—The possibilities of an enlarged Balkan League—*Constantinople—The Trentino and Trieste*—Italy and the settlement—The Trentino—Trieste—*Alsace-Lorraine*—Racial character and history—The French declaration—Some suggestions considered—*Territorial compensation to Belgium*—Would it appeal to the Belgians?—*Schleswig-Holstein*—The plébiscite of the northern districts—Denmark and the Kiel Canal—*The position of Austria-Hungary after the war*—The possible union of Austria with Germany—The position of Hungary—A summary of the principles involved—The practical difficulties of the plébiscite—The task of European statesmanship. pp. 81-163

CHAPTER V

COLONIAL QUESTIONS IN THE SETTLEMENT

Colonies as spoils of war—The period of colonial conquest—Failure of the policy of exploitation—The growth of the British Empire—Beginnings of German expansion—The scramble for Africa—Germany's colonial empire—Strategical reasons for capture of the colonies—Their value as pledges—Interests of British Overseas Dominions—*Togoland—Kamerun—German South-West Africa* and the South African Union—*German East Africa* and the all-red route—*German New Guinea and the Pacific Islands*—The attitude of Australia—*Kiau-Chau*—The question of coaling stations—The larger problems of colonial policy—Germany's "place in the sun"—Concession-hunting and the mailed fist—Commercial penetration and political influence—Common interests in the opening up of undeveloped territory—The necessity of co-operation—The possible break-up of Asiatic Turkey—A possible all-round agreement pp. 164-199

CHAPTER VI

THE ECONOMIC FACTORS OF THE SETTLEMENT

The economics of conquest—Territorial compensation—Colonies and cash value—Indemnities, their possibility and desirability—Their economic effects—Their political effects—Compensation to Belgium—The crushing of Germany and British commerce—Fiscal arrangements in the settlement—Counter-bounties—Free Trade areas—Roads to the sea and ports—Some details of the settlement—Allowances for State-owned property—Interned ships—Confiscation of sums held in trust—Discrimination against German bills—Patents—Economics and international relations—The international partnership pp. 200-247

CHAPTER VII

THE EUROPE OF TO-MORROW

Is peace in itself desirable?—Resistance to Prussian arms and the victory over Prussian ideals—The burden of armaments and its real significance—Why attempts at limitation have failed—The Congress of Vienna and the Holy Alliance—The situation at the end of the present war—Fear of aggression and its influence on policy—The law of struggle and the community of nations—The Triple Alliance and the Triple *Entente*—An alliance of all the Great Powers—Mutual guarantee against aggression—The small States and the alliance—Possible grouping in confederations—The proposals for an International Court and Police Force—The practical difficulties—The dangers of prematurity—First the community, then the law, then the executive—A Consultative Council as opposed to an International Tribunal—Limitation of armaments by consent—The example of the Canadian frontier—The position of America—Possible non-military sanctions—The underlying principle—The Great Settlement pp. 248-287

APPENDIX A

	PAGE
THE RACE QUESTION IN AUSTRIA-HUNGARY .	289

APPENDIX B

THE FRANCO-GERMAN WAR INDEMNITY .	291
INDEX	301

MAPS

RACIAL MAP OF CENTRAL EUROPE . .	83
THE AUSTRO-HUNGARIAN EMPIRE . .	89
THE PARTITIONS OF POLAND . .	95
ALSACE-LORRAINE	151
SCHLESWIG-HOLSTEIN	155
THE GERMAN COLONIES IN AFRICA . .	181
THE GERMAN COLONIES IN THE PACIFIC .	189
TURKEY IN ASIA	197

THE GREAT SETTLEMENT

CHAPTER I

THE NECESSITY OF A SETTLEMENT

THE present war is distinguished from other conflicts in which Great Britain has been engaged by the practical unanimity of national feeling with regard to it. Those who welcomed the outbreak of war were very few ; those who believe that it could have been avoided in August last, still fewer ; those who do not share the general determination to carry it through, at all costs, to a victorious issue, so few as to be practically negligible. There is to-day neither a war party nor a peace-at-any-price party. The almost universal sentiment is one of sober resolve to perform, quietly and thoroughly, an unsought and unwelcome task which we could not in honour or with safety refuse.

At the back of this determination there is

an instinctive revolt against the whole Prussian theory of aggressive war as a legitimate expression of national policy. We have often been told that international law has no real existence ; that treaties will be observed only so long as it suits the convenience of the parties ; that the nations are subject to a law of struggle in which the weakest must go to the wall. Yet the violation of Belgian neutrality, under the plea of military necessity, has undoubtedly shocked the public conscience. Seen in action, the Prussian theory is felt by the whole British people to be destructive of those conceptions of order and public right upon which the development of modern civilisation rests. There is a deep and fierce resentment against the interruption of the life of the world by the activities of a militarist system which has become an anachronism. It is as if a merchant with whom we had business relations had suddenly failed to honour his bills. The foundations of public faith have been shaken and we find ourselves suddenly thrown back upon outworn conditions, conditions in which sheer military strength becomes the only security against outrage.

Hence, the resolution to win is coupled

with a steady determination that Europe shall not again be plunged into chaos. In every utterance of our public men or our Press there occurs in some form or other the determination to make an end of this militarist menace, to secure ourselves against any future outbreak of this policy of the jungle. The very vastness of the conflict reinforces this determination. The enormous numbers engaged, the terrible proportions of the casualty lists, the greatness of the sacrifices which we have made and are prepared to make, demand an adequate recompense. If we make some effort to realise the long agony of Belgium, the terror and anguish and desolation of the peaceful population in Flanders and Northern France, the heroism and the sufferings of our troops in the trenches, we feel that it would be intolerable that these sacrifices should have been made in vain. It is unthinkable that they should result in some patched-up truce, in a victory, however glorious, which would expose us in twenty years' time to the risk of another Louvain, the prospect of starvation for millions, another year of carnage and horror.

It is for this reason that so many minds are at work upon the problem of what shall

follow the war. It is evident that mere military victory will not give us the security which we desire. Military victory is indeed the first essential of security. But military victory alone cannot, of its very nature, make that security permanent. When Louis XIV and Napoleon menaced the liberties of Europe, they were beaten down by the only means available, by the armed force of Europe, but France, happily, was not permanently crushed. Germany, after Jéna, was broken, humbled, divided, Prussia herself was stripped of half her territory, burdened with indemnities, subjected to enforced limitations of armaments. Yet precisely from that period dates the impulse to German unity under Prussian leadership, resulting in the rise of another great Power in Europe.

Even if we assume, therefore, that from Germany alone can any future menace to the peace of Europe come, there will remain a task for the statesmen after the soldiers have done their work. And it would be too much to assume that no other Power will ever be bitten by the madness of aggression. History shows us one Power after another as the disturber of European peace. The policy of

nations varies with the development of their thought and spirit, a development which is marked by periods of reaction as well as of progress. It may, at any time, be diverted by the influence of a few outstanding personalities ; it is constantly moulded by changing circumstances. The most pacific people may be deluded by false doctrines or misguided by unscrupulous politicians. The most pacific government may be swept off its feet by a sudden explosion of popular anger. If, therefore, we are to achieve any security commensurate with the greatness of the present struggle, our policy at the close of the war must be directed towards the provision of safeguards which shall be of universal application. The problem before us is not merely to secure ourselves against renewed aggression on the part of Germany, but to get rid, as far as possible, of that constant friction—open or latent—which has converted the history of Europe into an armed truce punctuated with disastrous wars.

There is one thing and one thing only which can remove, even partially, this intolerable menace : and that is a settlement which shall put an end to the outstanding causes of European unrest. It is not to be

supposed that the war will have worked any sudden change in human nature. Men will still fight if they believe that their honour or interests demand it. The only chance of permanent peace is the removal of the causes of war.

The factors which produce war are quite capable of general classification, and it is worth while at least to examine them and see how far they are removable. It is worth while, also, to inquire whether it is, or is not, possible to take some more definite step than has hitherto been attempted towards organising the world for peace. We are told, indeed, that "adequate military preparation is the only means yet devised by man to avoid the horrors of war."¹ We can only say that it has signally failed to achieve this purpose. Superior military preparation may indeed secure victory in war, and so minimise its horrors and losses in the case of the successful combatant. There is ample evidence that it is not sufficient to avert war. The moral may be that wars are inevitable, that in this one respect mankind is incapable of progress, and that though we have ceased to kill each other singly with rapiers we

¹ *Morning Post*, December 16, 1914.

must continue to do so in millions with magazine rifles. But before accepting this conclusion it is at least worth while to ask whether any alternative policy has ever been seriously tried, and if not, whether it might not be worth trying.

It is for this reason that it becomes important for us in Great Britain to acquaint ourselves in some measure with the problems which will have to be faced when the terms of peace come to be discussed. It is impossible to overestimate the importance of the issues ; and if Great Britain is to play that part in determining them to which her power and traditions entitle her, it will be necessary for the British public to have these issues clearly before them. They are behind the Government as one man in carrying on the war, because they feel instinctively that it is being waged for the preservation of those institutions which they value most highly. It is an essential factor of our strength that they realise the gravity of the crisis. It will be an essential factor in our influence on the framing of the settlement that they shall realise how far-reaching may be its effects, and shall understand the main facts of the problems involved.

It may be said in general that all wars are caused either by a supposed opportunity for material gain or by the desire to assert national superiority. The desire for prestige, for political and military power, is based chiefly on a belief in its capacity to secure these ends. Nations desire to annex territory either because they expect to add to their national wealth and prosperity by so doing, or because they wish to increase their power as against that of some hereditary rival. And these hereditary rivalries are generally the result of previous conquests. The so-called "conflicts of culture" are probably based less on the crusading enthusiasm of a nation for the spread of its own institutions, than on fear of domination by a less highly civilised people, or on resentment at the domination by such people of racially allied populations. In part, also, they are caused by the belief that military victory and the ability to subjugate alien populations is a legitimate assertion of national superiority and the highest expression of national consciousness. In the minds of a people firmly convinced of the advantages to be derived from the aggressive exercise of military power and dominated

by the traditions of a military caste, pride in national achievement easily becomes restricted to this one field. National emulation, the desire to excel other nations in vigour and ability, in the capacity for self-sacrifice, and in strength of character becomes identified with the desire to be "top dog," to dominate the world in the military sense. By a curious, but, in the circumstances, a not unnatural confusion of thought, it is believed that the excellence of a nation's culture, its standing in the realms of art and thought, its commercial prosperity, stand or fall by its capacity to exercise military power rather than by the freedom of its institutions, the contributions of its thinkers and writers and artists to the intellectual life of the world, or the honesty and energy of its artisans and traders.

The acceptance of this point of view necessarily involves the conception of nations as natural rivals and of world-history as an incessant struggle between the nations for military domination. Three or four States having similar interests may enter into a temporary alliance for the purpose of overpowering another group, or of balancing its power ; but anything like a general organisa-

tion of the civilised world, an alliance of all civilised nations, is looked upon as impossible, because the motives tending towards conflict are presumed to be stronger than any community of interests. Thus we get the curious position that, while every nation carrying on a vigorous intellectual and commercial life is largely and increasingly dependent upon the activities of other nations, the States by which these nations are represented are supposed to be in perpetual rivalry on conflict. In art, in literature, in science, in philosophy, the most vigorous and characteristic national products are precisely those which profit most largely from a free exchange of ideas, from uninterrupted contact with the life and thought of neighbouring peoples. In finance and commerce a nation which attempted to isolate itself from the general life of the world would commit economic suicide. Yet we find people imagining that a State can gain respect for its culture by attempting to destroy that of a highly developed but smaller neighbour; that it is its duty to suppress the language and traditions of a small people living within its borders; or that a great commercial people can promote its prosperity by des-

destroying the purchasing power of its best customer.

This theory of a "natural law of struggle" between nations leads logically to the conclusion that national rivalries are outside the scope of the moral law. It is constantly assumed in the discussion of international politics that neither the precepts of Christianity nor the ordinary ethical code by which the conduct of civilised men towards each other is regulated apply to the relations between States. If we grant the supposition that the vital interests of nations necessarily conflict, it is easy to show that governments, which are the trustees of those interests, may put forward a very powerful plea of necessity to justify any actions which are presumed to promote them, whatever injustice and suffering may be inflicted thereby upon the peoples of other States. On the hypothesis that the relations of States are those of a struggle to survive, resulting in the predominance of the fittest, might becomes not merely the protection but the essence of right, and the smaller nations, whose numerical inferiority restricts their capacity for the exercise of military force, exist, if at all, merely on the sufferance of the greater. A

State which is capable of conquering proves thereby its "fitness" to dominate others, and the vanquished can appeal to no law higher than that of force.

These doctrines, while not unknown in any country, are held most firmly by the militarist Empires of Central Europe. If we have been revolted by the conduct of Germany, it is because a certain school of her writers and politicians have worked them out with a pitiless and consistent logic which forbids the acceptance of those "artificial" laws of fair play and international morality by which men in general, even when they accept the theory of the law of struggle, mitigate—happily, if inconsistently—its crude brutality. If Germany and Austria are mainly responsible for the outbreak of the present war, it is because they, more than any other European States, base their conception of national prosperity and national honour upon the use or threat of military force and upon their ability to keep in subjection the populations of conquered territories. We shall see how closely these beliefs are connected with the definite questions which gave rise to the present war and with those which will call for solution when it is over.

In opposition to this theory of national greatness there has come into existence another, the principle of which may be briefly stated in two general propositions. First, that a system of government or a national policy based on force and not on agreement is necessarily futile and harmful. Secondly, that the nations of the civilised world are not rival units, but members of a community morally, intellectually, and economically interdependent, having common interests only to be secured by co-operation.

This conception of co-operation between nations is based largely upon respect for nationality. If civilised life is not to be reduced to a dull level of uniformity, it is essential that every nation should be able to contribute to the common stock of civilisation that which is characteristic and peculiar in its institutions and outlook, that which it has derived from its own special opportunities and traditions. But if this is to be the case, it is important that the energies of all shall not be perpetually diverted into the one channel of preparation for self-defence; and, above all, that the smaller nations, rich in genius and industry, but of little military power, shall be protected against the fear of

conquest and subjugation by a larger but not necessarily more highly civilised neighbour. Where different nationalities live side by side under the administration of a single government, these considerations suggest that each should be free to cultivate its own language, traditions, and institutions, and to contribute its own share to the life of the State and of the world, as is the case to-day with the Flemings and Walloons in Belgium, or the nations of the British Dominions—the French and British in Canada, the Dutch and British in South Africa.

This conception of international relations involves both a test of greatness and an ideal of conduct radically opposed to that of the law of struggle. It implies that, far from might constituting right, the exercise of power to override considerations of justice and morality is the prime offence against the very constitution of civilised society amongst nations as amongst individuals. It sanctions and glorifies the exercise of military force only so far as it is called in to prevent the overruling of public right by a powerful aggressor. It denies absolutely the right of a stronger people to impose upon a weaker its own institutions or culture. It does more :

it implies that conquest and subjugation, since they run counter to the fundamental laws of natural development, are in the long run harmful not merely to the conquered but to the interests as well as to the character of the conqueror.

It would probably be untrue to say that the actions of any civilised State in modern times have ever been consciously guided by an intellectual acceptance of either of these conceptions in its entirety ; yet the history of international relations is, on the whole, the history of the gradual emergence and development of this idea of public morality and international order. It would be folly to pretend that the older conception has never governed the policy of ourselves or of our Allies even in recent years, or that it does not colour in some degree our outlook to-day. But in the main we may say that we do stand in the present war for the force of right as against the right of force, for the idea of a human society based on co-operation and consent as against the idea of a society based on struggle and domination.

In analysing the causes which have brought about the war, and the problems which will have to be solved if we are to secure our-

selves against a recurrence of this universal catastrophe, we shall be compelled to trace the working of the ideas by which European politics have been guided in the past, and we shall see how largely they have been coloured by the theory of the law of struggle between nations and the advantages of domination. For the moment it may be wise to consider the newer conception as a working hypothesis, and see what light it throws upon the questions raised, and whether these questions are capable of a solution which would pave the way to that alliance or *entente* of all civilised Powers for the protection of their common interests which would naturally be its ultimate expression.

CHAPTER II

THE ORIGINS OF THE WAR

IT is generally recognised that the real causes of the present war lie much deeper than the immediate incidents of the Austro-Serbian quarrel. The Serajevo murder and the Austrian ultimatum were but the igniting spark to that Teuto-Slav quarrel which has so long menaced the peace of Europe. And this quarrel itself was but one phase of the armed truce which had thinly cloaked the latent rivalries and ambitions of the Powers.

It is not necessary or desirable in this place to enter upon a detailed discussion of the immediate causes of the war. All the nations engaged have issued in some form or another a statement of their case, and the public are familiar with their contentions. Nor is it necessary to trace back at any length the development of the political groupings and rivalries which resulted in August 1914 in the emergence of the two

groups which confront each other to-day. To do so would be to write the political and diplomatic history of Europe for the last hundred years. The very extent of these ramifications and the amount that has been written about them tend, at times, to obscure the main issues. These main issues it is necessary to keep clearly in mind when we approach the problems of the settlement. For it is only by understanding the underlying causes of the war that we can understand the essentials of peace.

Whatever view we take as to the extent to which the German military caste desired war for its own sake, it was in their alliance with Austria and the outbreak of the Austro-Serbian conflict that they found their opportunity and excuse. It will be well, therefore, to begin by an attempt to appreciate the underlying significance of that conflict.

It is the more important to seek for such underlying significance because the actual incidents which led to the outbreak of war were so ridiculously disproportionate to the extent of the conflagration which they have caused. It is obvious on the face of it that the discrepancies between the demands contained in the Austrian note and the terms

of the Serbian reply were not in themselves a cause of war. There lay beneath the surface some deeper quarrel; and the significance of that quarrel lies in the light thrown by it upon the position of the Austro-Hungarian Empire in the European system.

The conflict between Austria and Serbia reveals that tragic futility—a “conflict of two rights.” It is impossible not to sympathise with the desire of the Serbs in Austria-Hungary for union with their brethren in independent Serbia. It was impossible that the Serbians should not sympathise with that desire. It was at least natural that a pan-Serbian agitation should spring up on both sides of the border. Yet it is perfectly true that this agitation threatened the very existence of the Austro-Hungarian Empire. It is perfectly true that the Austrian Government was committed to the repression of this agitation by the principle of its own being.

It is a commonplace of publicists that a “conflict of two rights” can be decided only by the sword, since neither party to such a conflict can in honour, or with regard to its own preservation, compromise

the dispute. It is, in fact, on this theory that the doctrine of the inevitability of war is based. If room is left for such conflicts in the settlement after the war, there is little hope that much can be done to secure the peace of the world. This being so, it is worth while to look for a moment at the basis of the "rights" in question.

The right on the side of Serbia was that of a population having race, language, and traditions in common, united at one period of history under a single government, but at present divided, to work together for union under the government of their own choice. It is a right recognised by the principle for which we and our Allies are fighting. It is based on the principles of government by consent and the free and natural development of nationality.

The right on the side of Austria was the right of a Government to maintain the integrity of its frontiers and its authority over the peoples, of whatever race, at present subject to it, irrespective of the desires of the governed. In considering the justice of this demand, it must be remembered that the Austro-Hungarian Empire is not a national organism but an artificial structure, embracing

numerous and frequently hostile races. Its populations have not been fused into a single nationality by intermarriage and the growth of a common tongue as Celt, Saxon, Dane, and Norman have been fused in Britain. They have not been united as Flemings and Walloons have been united in Belgium, or French, Germans, and Italians in Switzerland, by common consent and common institutions. The Empire consists of two sovereign States, bound together merely by the fact that the hereditary Emperor of Austria is also hereditary King of Hungary. The only affairs permanently under common administration are foreign affairs and defence. An existing commercial union is renewable every ten years.

The position is complicated by the fact that both the Austrian and the Hungarian governments represent the rule of a dominant race over subject peoples. In neither case does the dominant race form a majority of the population. The census of 1910 showed that the Germans in Austria numbered 9,950,266,¹ out of a population of 28,571,934. In Hungary the Magyars were 10,050,575,¹ out of a total of 20,886,487. These ruling

¹ On the basis of language.

racés are absolutely distinct in type and language from the peoples whom they control and from each other. The Germans of Austria are closely akin to the South Germans of Bavaria. Austria was, until 1866, politically connected with the other German States; her literature and traditions are German. The Magyars are a proud and spirited race of Ural-Altaic stock with a fine literature and a stirring history. The Union of the Crowns has not prevented continual friction between the two races, breaking out at times (so recently as 1848) into armed conflict. Neither in political ideas nor in matters of finance and economics is there any strong sympathy between them, and they have been held together simply by dynastic allegiance and by mutual support in domination over the Slav and Latin populations of their subject provinces. Into the question of these provinces, acquired at various times as the result of conquest or marriage, it will be more convenient to go when we come to consider in detail the problems of the settlement. Meantime it is pertinent to observe that while the Austrian Government has in recent years made considerable efforts to conciliate its subject

peoples and to create a genuine national consciousness, by the grant of self-government in local affairs and representation on the councils of the Empire, the tendencies of the Hungarian Government have been purely reactionary. Even Kossuth, the champion of Magyar nationalism as against Austria, firmly upheld the repression of Slav speech and of Slav sentiment. The efforts of the Government of Vienna to create a national sentiment in the Empire have been frustrated again and again by the Magyar oligarchy. The forms of constitutional government may have been granted, but no means—the manipulation of the franchise, the grossest intimidation at elections, restrictions on the freedom of the press and on education—have been too unscrupulous to be used for the maintenance of Magyar ascendancy.

We see, therefore, a State comprising the wreckage of a dozen kingdoms and principalities, inhabited by men of a dozen different nationalities—diverse in speech and culture and many of them bitterly hostile to one another—held together simply by the concentration of political and military power in the hands of two dominant races who have been content in the main to sink their own differ-

ences for the sake of mutual support in this artificial ascendancy. Such a State must necessarily be militarist and autocratic. A government which is based upon force pure and simple and not on the consent of the governed must rely for its very existence on military power.

When such a State sees across the border the rise of an independent nation, akin to its own subject races, it necessarily feels its territorial integrity threatened. It is bound to recognise the possibility that subjects whom it has not assimilated but has merely held in subjugation will desire union with their independent brethren. It is bound to recognise the probability that this desire will be reciprocated across the frontiers. Hence the jealousy with which Austria-Hungary has watched the rise of the Slav nations in the Balkans, and especially of Serbia. The policy adopted by Austria towards this little Slav State presents one of the most repulsive studies in modern diplomacy. It has been directed first to acquiring a controlling influence in the Serbian Government by every kind of diplomatic intrigue; secondly, to reducing Serbia to economic dependence upon Austria by shutting her out from the sea

and so compelling her to find an outlet for her produce solely through Austria-Hungary; thirdly, to isolating and weakening her by sowing dissensions between Serbia and the other Balkan Powers. The palmy days of Austrian influence were during the reign of King Milan—under whom Serbian policy was practically dictated by the Austrian Foreign Office. Popular resentment against his subservience culminated in the abdication of Milan. By identifying the Austrian Government with his personal unpopularity the history of his reign contributed largely to Serbian distrust of Austria. The policy of economic pressure led in 1905 to a tariff war by which, though it was ultimately unsuccessful, Austria succeeded in causing much suffering to the Serbian peasants. The friction caused by this episode gravely strained the relations between the two States. The policy of isolation was manifested in 1885 when the Austrian Government encouraged that of King Milan in the unwarrantable and ill-judged attack upon Bulgaria which was so signally defeated at Slivnitsa. It reappeared at the end of the first Balkan War when Austria interfered to prevent the acquisition of ports or coastal territory by

Serbia or Montenegro, driving Serbia to seek compensation to the eastward, with the result of embroiling her with Bulgaria and bringing about the second Balkan War. When the effect of this purely selfish and bitterly hostile policy is added to the friction naturally arising from the discontent among the Slavs of Austria-Hungary and the existence of pan-Serbian agitation on both sides of the border, intensified by the annexation of Bosnia-Herzegovina, it is obvious that only a profound modification in both the internal and external policy of the Empire could render the outbreak of actual conflict anything but a question of time.

Hitherto the continued integrity of the Empire has been regarded as necessary by the statesmen of Europe, because of their dread of the scramble for provinces which might take place if it were broken up. Particularly have they feared the absorption of Slavonic provinces by Russia, or the establishment of a great Slav confederation under Russian leadership. It is obvious, however, that the mere existence of the Empire constitutes a perpetual menace to the peace of Europe. Its internal unrest is bound to be complicated by external disputes ; its purely

dynastic unity renders war the only means of creating a national consciousness and the readiest method of diverting attention from internal troubles.

It may therefore be questioned whether an unqualified right to exist can be conceded to a State which has failed to secure either the good or the consent of the governed, and which by its nature threatens the peace of its neighbours. The defect does not lie merely in its diversity. Under wiser guidance the Empire might have become a federation of autonomous States, and its races have been united by a national sentiment based on common interests, common institutions, and common sympathies. But Austria-Hungary has remained in essence an Empire based on force and subjugation. It has thus become one of the prime factors of the present war and will present some of the gravest problems of the future peace.

We have seen that the policy imposed upon the Austrian Government by the character of the Empire involved perpetual interference in the affairs of the Balkans. This position was accentuated by the mandate which Austria received in 1878 to administer Bosnia and Herzegovina. To these pro-

vinces she has undoubtedly given greater material prosperity and sounder administration than they ever before possessed ; but her rule was bitterly resented by the Serbo-Croat population. It was always anticipated that her occupation would result in formal annexation, and it thus formed an additional obstacle to the national aspirations of the Serbs.

The most serious consequence of Austria's Balkan policy, however, was to bring her into continual opposition to that of Russia. The Russian Government has always claimed, both on racial and religious grounds—as representing the greatest Slavonic Power and the greatest Power of Greek Christendom—to be the champion of the Christian populations against the Turk. In this claim they are probably supported by the mass of the people. Public opinion in Russia is not highly developed, but if any Russian policy can truly be termed national, it is that which involves championship of the Slavonic and Orthodox peoples against foreign, especially Turkish, domination. It is probable that this championship has not always been disinterested on the part of Russian statesmen. They have desired to see Russia

the leader, as well as the protector, of the Southern Slavs ; and their wish to expel the Turk from Constantinople may have been dictated as much by the desire for an ice-free port as by the desire to replace the cross on St. Sophia. The suspicion of these motives has, in fact, at various times alienated the Balkan States from Russia for considerable periods. Nevertheless, Russian policy has, in the main, stood for the liberation and free development of the races subject to Turkish misrule, as Austrian policy has stood for weakening and repressing them. And if the conduct of the Russian Government with regard to Turkey has on occasion been aggressive beyond the provocation of the moment, we are at least free to admit that the Turk has proved incorrigible. His domination, to an extent still greater than that of the Austrian or Magyar, has been founded on force and on force alone, and the existence of his Empire was incompatible with the establishment of public right in Europe. It is one of the cardinal defects of Austria's policy of sowing dissension between the Balkan peoples that it has played into the hands of Turkey.

This struggle for prestige in the Balkans

between Austria and Russia was accentuated by the formation of the Triple Alliance in 1882-3 between Austria, Germany, and Italy, and the advent of German influence in Balkan politics. It culminated in 1908 when Austria took advantage of the Young Turk Revolution to announce her formal annexation of Bosnia and Herzegovina, the indignation of Serbia and the protest of the Russian Government being met by Germany's appearance "in shining armour" by the side of her ally.

Through the whole tortuous maze of Balkan politics the statesmen of Vienna and Budapesth have steadily pursued one single aim—the maintenance of that system of repression and subjugation upon which the Austro-Hungarian Empire is founded. To-day they have their reward in alliance with Turkey and war with Russia.

So far we have been dealing chiefly with the nations immediately concerned in the Austro-Serbian dispute. We have to turn now to the factors which have extended the struggle so far beyond their borders.

The unification of Germany and her rise to a great Power were the outstanding facts of European history in the latter half of the nineteenth century. The facts are too well

known to need repetition. It will be enough to point out briefly those which seem most pertinent to the present situation.

In the eighteenth century Germany consisted of a large number of States of varying size and power, very loosely connected and having no corporate consciousness. The political organisation of the German people had never completely recovered from the chaos of the Thirty Years' War. The most distinguished German writers and thinkers had adopted a purely cosmopolitan attitude. Such patriotism as existed among the peoples of the various States was purely provincial. The policies of the many governments were dynastic rather than national. Prussia stood out from the other States by reason of the ability with which successive rulers had laboured to obtain weight in the councils of Europe through an almost exclusive concentration upon military development. Her policy had been violently aggressive, and—from the dynastic standpoint—remarkably successful.

One result of the disasters of the Napoleonic Wars was the birth of an impulse towards German unity. The continual interference of France in German affairs, notably under Louis XIV and Napoleon, and the

military and political weakness entailed by division, gave rise to a desire for some form of unification which would enable the German people to hold their own and free them from the fear of foreign dictation. The formation of the Zollverein or customs union, which by 1851 included practically all the German States with the exception of Austria, gave them a sense of common interests and paved the way to political union. In the movement towards political unity, the military strength of Prussia marked her out as the natural leader, and under the guidance of Bismarck, Prussian policy aimed equally at the unification of Germany and the establishment of a Prussian hegemony. In the wars of 1864, 1866, and 1870-71, and in the diplomatic conflicts which preceded and accompanied them, the reorganised military power of Prussia and the diplomatic ability of Bismarck were directed steadily and ruthlessly to this end, which was finally achieved in 1871 by the creation of the German Empire.

With the desire of the Germans for unity it is possible to sympathise deeply, as the majority of Englishmen in fact did. A survey of German history and of the sufferings which their divisions had entailed upon the

German people renders it possible to understand how German statesmen could feel that unity to be a primary essential of their policy, in pursuit of which they were not much to be deterred by scruples. It was an end which, according to the traditional morality of politics, might be held to justify the means.

Unhappily, the policy of the German Government since unification has been strongly coloured by the "blood and iron" theory on which it was founded. That policy, in so far as foreign affairs are concerned, has been directed by Prussia, and the Prussian traditions are autocratic, militarist, and aggressive. The three able rulers under whom Prussia first became a Power, the Great Elector, Frederick William I, and Frederick the Great, impressed upon her institutions and policy a character which they have never lost. The success of the German arms in 1870-71 under Prussian leadership gave to that policy a prestige by which the German peoples have been dazzled. A school of writers and thinkers has grown up by which it has been erected into a philosophy. While it is possible to make out a very good case for Germany in the conflict of 1870-1871, the

moral effect of the victory, won by great superiority of numbers and of organisation, has been to plant very deeply in the minds of Germans the idea that "God is always on the side of the big battalions." From being hailed as the saviour of the country, the army, especially the military caste from which the officers are drawn, has come to represent the country in a way altogether denied to the civil population. It has become less the servant than the master of the State. From being the instrument of unification the armed force of Germany has become a threat constantly thrown into the diplomatic scale.

Germany, therefore, represents, like Austria, a government founded largely upon force. Far more racially homogeneous, she has her own subject populations. The Poles of Posen and Silesia, the Danes of Northern Schleswig, the majority of the inhabitants of Alsace-Lorraine, have never accepted German nationality. The annexation of Alsace-Lorraine after the war of 1870-71 not only created for Germany a very difficult internal problem, but left in the minds of the French a permanent resentment which has formed a chief factor in the problems of German foreign policy. The fear expressed by Gladstone that

this annexation would prove to be "the beginning of a new series of European complications" has been amply justified. It is said that Bismarck doubted the wisdom of the step, but was overruled by Moltke and Roon on the ground of military necessities. It is true at any rate that by annexing the provinces the German Government purchased a strategical advantage in war by the acceptance of political relations which greatly increased the risk of war. It was the Alsace-Lorraine question more than anything else which stood in the way of reconciliation between France and Germany. The continued tension between those Powers has been the prime factor in the armament competition. In this competition France found herself badly handicapped by her stationary population. Her colonial expansion had created friction with Great Britain and Italy, and feeling herself thus threatened both on land and on sea, she formed an alliance with Russia which balanced to some extent the Triple Alliance, but which had the effect of bringing France within the zone of disturbance of Eastern politics.

This was the more important because the desire of the German Government to carve

out a sphere of influence in Asiatic Turkey, and their alliance with Austria, had, as we have seen, brought German policy into collision with Russian, in spite of the traditional friendship between the Courts of Petrograd and Berlin. A considerable popular hostility had also come into being. German merchants and landowners had made themselves very unpopular in Russia, and it was believed that German officials and German influence were largely responsible for the reactionary policy of the bureaucracy. On the other hand, the Germans despised the Russians as semi-barbarians, and their lack of a strong natural frontier to the east rendered them highly susceptible to the suggestion of a Slav menace. Thus the Dual Alliance, while it greatly strengthened the position of France, increased for her the risk of war, by adding to the friction caused by her own quarrels with Germany that which was springing up between the latter Power and Russia.

Meantime the remarkable development of German commerce and the desire for colonial expansion had led to the creation of a great German navy and a colonial policy somewhat too frequently strengthened by the shaking of the "Mailed Fist." Within comparatively

recent years the expansion of the German fleet has been urged in a manner which seemed to many to be inspired by definite rivalry with Great Britain. Coupled with German military supremacy and the aggressive tone of German diplomacy, it has led to the belief that Germany was aiming at a world supremacy to be achieved by force. The settlement of the various points of friction between France and Great Britain and the development of the subsequent *Entente* were unfortunately regarded by Germans as part of a policy of encircling Germany by which her expansion was to be restricted. At the same time some of her publicists appeared to be infected with the idea that that expansion could only be achieved at the expense of Great Britain. All these factors tended more and more to embitter Anglo-German relations and to embark Great Britain upon support of France and of the Dual Alliance against Germany and Austria. The situation was complicated by the common belief that in any war between France and Germany, the latter Power would not scruple to violate the neutrality of Belgium, which was guaranteed by France, Germany, and Great Britain. Both the writings of German strategists and

the disposition of the German military railways pointed to the possibility of Germany attempting in this way to turn the great line of French fortresses stretching from Belfort to Verdun.

The irritation set up on both sides of the North Sea was aggravated by pan-German writers who talked of the incorporation in the German Empire of Holland and Belgium, and the wresting from Great Britain of her naval and colonial supremacy, and by a tendency on the part of certain sections of public opinion in Great Britain to exaggerate the menace to British interests of Germany's commercial and naval expansion.

The friction created by all these factors culminated in the Morocco crisis of 1911, when Britain stepped in to the support of France and in the establishment of an understanding—never very clearly defined—between the British and French Governments for mutual support in the event of German aggression. The London Conference of 1913 at the end of the Balkan Wars, when both the British and German diplomatists worked cordially, under the leadership of Sir Edward Grey, for the preservation of European peace, indicated a slackening of the tension; and it was very

generally believed that the danger of actual conflict had begun to recede and that the way was opening for some such agreement as had settled our disputes with France ; but the elements of danger still remained, and the truculence of German diplomacy in the negotiations preceding the present war was ill calculated to avoid them.

These, then, were the main factors of the situation which produced the war. On the one side were the Austro-Hungarian Empire based on the principle of domination without regard to national aspirations and the German Empire founded by a policy of blood and iron and still ruled by its traditions. On the other side were Russia, regarding herself as the natural champion of those Slav peoples over part of which Austria ruled ; France, still smarting under the recollection of her defeat ; and Great Britain, increasingly suspicious of German aggression upon her trade and colonies. Both sides were armed to the teeth ; both—in varying degrees—were dominated by the idea of the identity of military power with national prosperity ; one side at least regarded war and the threat of war as the most effective card in the diplomatic game.

Into this powder magazine, the Austrian ultimatum to Serbia threw the necessary spark. Russia stepped in to protect Serbia ; Germany was bound by her alliance and by all the traditions of her diplomacy to support Austria, right or wrong ; France was bound by alliance with Russia ; Great Britain dreaded the establishment of an overwhelming and aggressive German power and was under obligations to France. The last chance of British neutrality was destroyed when Germany, for purely strategical reasons, violated the neutrality of Belgium, which Britain, France, and Germany were alike bound by treaty to protect. In this way, the rejection by Serbia of a couple of clauses in the Austrian note involved in war every great Power of Europe except Italy. Italy was indeed a member of the Triple Alliance with Germany and Austria, but her people hated the Austrians from whose yoke they had escaped by the assertion of that spirit of nationality of which Austria was the embodied denial ; her differences with France had been composed ; she was exhausted by her Tripolitan adventure, and she refused to recognise in this conflict a war of defence in the terms of the treaty of

alliance. She consequently declared her neutrality.

Speaking broadly and having regard rather to the general principles involved than to the details of diplomatic history, we may say that the outbreak of war was due to the working of the theory of domination in Austria's Balkan policy and that its extension to nearly the whole of Europe was due in the first place to German support of that policy and in the second place to the theory of international rivalry which had divided the great Powers into two hostile and mutually suspicious groups. If any settlement is to be effected which will give some measure of security against a repetition of the catastrophe it must take account of these factors.

CHAPTER III

THE PRINCIPLES OF THE SETTLEMENT

THERE are a good many people who consider it a waste of time to discuss a general settlement at all. In their view one thing only is necessary—the complete defeat of Germany and her reduction to such a condition of military weakness as shall render it impossible for her again to disturb the peace of Europe. They do not care very much about the settlement of disputes ; all that matters in their opinion is that the terms of peace shall be dictated in Berlin and that they shall be sufficiently onerous. Germany, we are told, is to be crushed, her capital occupied, her fleet confiscated, her finances crippled by indemnities, large portions of her territory alienated, her government forcibly upset, her empire split up into a number of weak and divided States. Above all, her military power is to be permanently destroyed.

In considering this programme, there are

two things which must be kept in mind. In the first place, its feasibility or desirability is a question altogether apart from that of achieving military victory. It is certain that the British nation as a whole will not be satisfied with a drawn war. There are two very good reasons for this attitude in addition to the natural desire to come out on top in any struggle in which we may be, however reluctantly, involved. In the first place, it is very unlikely that the German and Austrian Governments would consent, except under the pressure of decisive defeat or extreme exhaustion, to any terms which would secure the objects that we have set ourselves to achieve. In the second place, it is only by the military defeat of Germany that the Prussian military caste can be discredited in the eyes of the German people. The defeat of Germany is a necessary preliminary to the possibility of any satisfactory settlement, and no difference of opinion as to the best use which can be made of victory has any bearing upon our resolution to accomplish it.

It is also important to bear in mind that to question the possibility or the wisdom of a programme of dismemberment does not imply

“pro-German” tendencies or condonement either of Prussian policy or of crimes committed by Germans in Belgium or elsewhere. It involves merely a sense of proportion and a steady regard to the objects for which we are fighting. What we have to ask ourselves is simply whether this “crushing” of Germany is a practicable operation, and whether, if practicable, it would promote these ends.

“Our great object,” wrote Wellington to Castlereagh in the course of the negotiations which followed Waterloo, “is the peace of the world”; and this defines, broadly, the object of the Allies in the present war. It is this object, certainly, which the British nation has set before itself. We have not gone into this war for the purpose of territorial aggrandisement or material gain. Our determination to do and to endure whatever may be required of us as the price of victory, is inspired by the hope of winning for ourselves and for Europe the most complete security which can be found against a repetition of this great catastrophe. We are animated by the vision of a Europe which shall be free from the perpetual menace of enormous forces controlled by a Government dominated by the doctrine that military

power is in itself the be-all and end-all of the State, and that armed aggression, dictated only by opportunity, is the proper expression of that power. This is how the situation presents itself to the bulk of the nation, and we believe that a similar spirit animates our Allies. The one question of importance for us is to discover the best means of accomplishing this end. It is our business neither to humiliate Germany nor to spare her humiliation, but to secure the peace and liberties of Europe—it is to this that our honour is pledged ; it is this which is our supreme interest ; the rest is incidental. Whatever our view of German character or of German conduct, our duty remains the same—to secure ourselves and Europe generally against a repetition of the catastrophe of 1914. With this duty neither the sentiment of pity nor the sentiment of indignation can be allowed to interfere.

In the first place, we have to consider how far this “ crushing ” of Germany is feasible. It is well to remember that the experiment has been tried. The campaign of Jéna and Auerstädt laid Prussia prostrate at the feet of Napoleon. The ruin of her armies was complete and irretrievable. Napoleon pro-

ceeded to impose terms which should crush her so effectually as to render a revival of her power impossible. By the Treaty of Tilsit, Prussia was deprived of nearly half her area and population ; she lost all her territory west of the Elbe, her Polish provinces, the southern part of West Prussia, Dantzig. A French army of 100,000 men was to remain in occupation until contributions, to an undetermined amount, had been paid. By a subsequent convention, after very heavy contributions had been exacted and the French troops withdrawn, Prussia was forbidden to maintain an army of more than 42,000 men, or to organise a militia.

The remaining German States had come equally under the heel of Napoleon. He carved out of them the Kingdom of Westphalia for his brother Jerome ; he grouped them, divided them, arranged them as he pleased ; he imposed on them French institutions, he linked them politically to France. The last spark of German liberty appeared to be extinct.

It must be remembered that there was then no German national consciousness. There were Prussians, Bavarians, Wurtembergers, but no " Germans." German culture

was cosmopolitan, the patriotism of her peoples so far as it existed was purely local. The record of Prussia was that of a militarist and aggressive State using her disproportionately large army for continual self-aggrandisement at the expense of her German neighbours. Moreover, the institutions introduced by Napoleon into many of the German States constituted a real advance in political civilisation. In fact, the ideas of the French Revolution, the Code and the institutions of Napoleon, represented much towards which the most progressive minds of Germany had been striving. The only objection to them was that they had been imposed by a conqueror.

For some years Prussia and Germany generally seemed to have disappeared from the political map. They were actually compelled to furnish contingents for the invasion of Russia ; their power and spirit alike seemed to have been broken. Under the surface, however, great changes had taken place. The Government of Prussia—autocratic and reactionary—took its courage in its hand and appealed to the people. Serfdom was abolished ; many reforms were introduced. Von Humboldt inaugurated a great campaign of

national education. Meanwhile, Scharnhorst reorganised the army, evading the imposed limitations by a system of short service and intensive training. More important than all, the sentiment of German nationality, the desire for German unity, was awakened. The intellectual leaders of Germany—Fichte very notably—abandoned their philosophic cosmopolitanism to become the mouthpiece of these sentiments. Prussia took the lead in this movement and the most brilliant men of the other German States, Stein, Blücher, Hardenberg, Scharnhorst, Gneisenau, were proud to act as the instruments of her regeneration ; while the autocratic Hohenzollern house became the symbol of German hopes.

Within seven years of the crushing of Prussia and the humiliation of Germany, Napoleon found himself fighting desperately and unsuccessfully against an alliance of which Prussia was the animating spirit and one of the most powerful constituents. The Confederation of the Rhine fell to pieces at the first shock. At Leipzig the Saxons deserted *en bloc* to the Allies ; Bavarians, Hessians, troops from Nassau and Baden entered France alongside with the Prussians, Austrians, and Russians. By the Treaty of

Paris Prussia regained all and more than she had lost ; but the real result of the Peace of Tilsit was the creation of that impulse towards German unity which found its fruition in 1871.

What guarantee is there that Germany can be crushed in 1915 or 1916 more permanently than in 1808 ? Improved means of production have probably rendered the recuperative powers of modern States even greater than those shown by Prussia after Jéna, by France after 1871. Enforced restrictions upon armaments will be evaded as they were by Scharnhorst, or denounced at a suitable opportunity as by Russia, when in 1870 she denounced the clauses of the treaty of 1856 restricting the fortification of Sebastopol and her construction of a Black Sea fleet. It would, of course, be possible, in the event of overwhelming victory, to secure the destruction or surrender of such portion of the German navy as remained intact at the end of the war ; but it would be impossible to prevent the Germans from straining every nerve to push through a great programme of new construction. A nation can be prevented from training men or creating material of war only by permanent occupation of its territory. To suppose that sixty-five or seventy million

people eminently distinguished by productive energy and capacity for organisation can be reduced to permanent military impotence is mere childish folly which may appeal to sensational journalists and politicians of the dinner table, but can only provoke the laughter of soldiers and practical statesmen. Its folly has been admirably exposed by the military correspondent of the *Times*, and it is worth while to reproduce his summary of the whole question from the point of view of those who would be responsible for carrying out such a policy :

To crush the Germans as a whole we must either kill them all or occupy their countries permanently, and we do not want to substitute one tyranny for another. Nor, we can be sure, does Russia. We have to draw the teeth of this Prussian monster, to humble a military caste, and to leave Prussia herself at the peace with the constitution which she has so long sought in vain. In these reasonable aims we shall sooner or later have large sections of the German people with us, and our ends can then be more quickly attained. But to kill or everlastingly to police a nation of sixty millions of people is an extravagant proposition, and in war one must aim at what is attainable and not the reverse. This is a military as well as a political question. We must not impose upon strategy an impossible task, for if we do we may be unable to achieve the aims which are both practicable and desirable.¹

¹ *Times*, September 24, 1914.

These considerations apply, equally, to all proposals for dissolving the German Empire and resolving it into the separate States into which Germany was previously divided. The teaching of history shows that such a step would probably make of itself for European unrest. In any case it could be imposed upon Germany only at the cost of a permanent army of occupation or of perpetual readiness to threaten war. It is said, indeed, that Prussia is loved none too well by the South German States, but if Prussia can hold herself out as the symbol of resistance to foreign interference in German affairs she will draw to herself Bavaria and Saxony, as she did in 1813. The Social Democrats, and other progressive parties, whose power in Germany has increased with every year, have been bitter and uncompromising opponents of Prussian militarism. If one thing is certain, it is that the final overthrow of militarism in Germany must come from the Germans themselves. If, when the power of German militarism has been crushed in the field, the German people are left to work out their own salvation, the lessons of a disastrous war will be driven home by the progressive and anti-militarist

parties and will become an effective weapon in their hands ; but if an attempt is made to destroy that militarism by force, by the imposition of vindictive terms, these parties will be silenced. A political system imposed upon the country by the armed forces of the Allies would fall to pieces the moment those forces were withdrawn. We believe that the future both of Germany and of Europe depends upon the victory of the Allies ; but it depends no less upon that victory being used with a wisdom and moderation which will avoid, in its treatment of Germany, the errors of German policy.

Even if it were feasible, it does not appear that the simple process of crushing Germany could secure permanent peace. We have seen already what are the root causes from which wars spring, and unless these deeper causes are removed they will lead to conflict in the future as they have done in the past, whatever may be the military position of Germany.

It is the failure to take these deeper questions into account which has made most treaties of peace in the past a mere matter of bargaining, in which one side asks as much and the other gives as little as their respective military situations permit. A peace so made

holds almost invariably the seeds of future wars.

In the first place, a peace which looks no further than the apparent advantage of the moment will lay the foundations for a war of revenge. The more onerous the terms exacted the deeper will be the resentment of the vanquished, and it is at least well to consider in each case how far the advantages gained are offset by the cost of the increase in armaments which is necessary to maintain them, and by the menace of future conflict ; or how far a more moderate policy might avert this threat. It was on this principle that Castlereagh wrote to Liverpool on August 17, 1815, concerning the suggested annexation of certain famous fortresses : " It is not our business to collect trophies, but to try and bring back the world to peaceful habits. I do not believe this to be compatible with any attempt now materially and permanently to affect the territorial character of France as settled by the Peace of Paris." ¹ It is necessary, of course, to consider every case upon its merits and to avoid the dangers of a spectacular and

¹ Castlereagh to Liverpool, Paris, August 17, 1815. Quoted in *The Confederation of Europe*, by W. Alison Phillips, p. 143.

sentimental magnanimity, but the principle itself must be kept in mind by any far-sighted statesmanship.

Wars of revenge are, however, the crudest form of the dangers underlying peace treaties. It is not always the vanquished who threatens the future peace of the victor. The greater wars of European history have not been simple duels between nation and nation. As a rule an alliance has been formed on one side or the other, and where there is an alliance new sources of weakness as well as of strength are created. If the statesmen of allied Powers look upon a treaty of peace as a mere scramble for provinces or fortresses, if their policy is based upon nothing more profound than the apparent advantage of the moment, the division of the spoils is terribly apt itself to become a *casus belli*, as it did with the Balkan league in 1913, or at least to sow the seeds of future enmity between the allies.

Even where the victor has no allies and the vanquished is too broken to make future trouble imminent, a prudent statesman will remember that the governments of Europe tend to look very jealously upon the acquisition of excessive power by any single State,

especially if its policy is aggressive, and that the balance is liable to be restored against it by a regrouping of the Powers.

Of all fruits of victory the most fertile in seeds of unrest are conquered provinces. In this category we do not include provinces inhabited by a population allied in speech and blood to the victor, whom his victory sets free from an alien domination. We refer to provinces whose inhabitants are alien to him in blood or speech, attached by every tie of sympathy and nationality to the State from which they are torn—territories, in short, which are seized and held by right of conquest pure and simple. Here there has to be taken into account not only the desire of the defeated State to recover its lost territory, but the effect of conquest upon the conquering State itself. The conquered populations naturally form a perpetual source of unrest. A government which has been imposed by force—to which the governed have never consented—can only be maintained by force. Agitation is met by repression ; repression in its turn provokes agitation. The defeated State is watching all the time for an opportunity of reconquest. Thus the whole tendency of conquest and subjugation is to keep

unrest alive and to impose upon the policy and institutions of the conqueror a character increasingly militarist and oppressive. Alsace-Lorraine and Poland have not only directly complicated the foreign policy of Germany, but have constantly stood in the way of her internal progress.

This double menace of external and internal trouble is inseparable from all artificial arrangements of territory. So long as provinces and peoples are regarded merely as pawns in the diplomatic game, to be transferred, by force or bargain, according to the presumed requirements of dynastic or strategic interests, a settled Europe is impossible. However judiciously they are balanced, however solemnly they are guaranteed, such arrangements are necessarily devoid of permanence. Representing no natural principle of growth, they are without cohesive power and are at any time liable to be upset by the outbreak of rebellion or by a reshuffling of the political cards. The State which is based upon such an arrangement is at once a temptation to its neighbours' cupidity and a menace to their security; it represents a source of weakness to the whole European system.

It was on this rock that the efforts of the Congress of Vienna split. The monarchs and statesmen who met at Vienna in 1814 and 1815 to consider the future of Europe after the downfall of Napoleon were mostly reactionary in domestic affairs and were largely guided by selfish motives in their outlook on foreign politics. Nevertheless it is only just to admit that they were, on the whole, animated by a sincere desire to restore peace to the world. It is, indeed, important to recognise this fact, in order that we may ascertain the reasons for their failure. Those reasons may be briefly summed up under two main headings. They based their policy upon a maintenance of the existing autocratic governments and they strove to render permanent an artificial arrangement of the map of Europe.

The first stumbling block became embodied in the Holy Alliance of Russia, Austria, and Prussia. As Alexander I fell farther and farther away from his early liberalism and came more and more under the influence of the reactionary policy of Metternich, the idea of the Holy Alliance came to be a federation of the Great Powers for the purpose of repressing revolution in any European State

—whether caused by a national uprising of subject races or by revolt against a reactionary autocracy. Castlereagh, to whose conduct in the negotiations justice is seldom done, put his finger upon the fatal flaw in the whole idea, in the following words :

The idea of an *Alliance Solidaire* by which each state shall be bound to support the state of succession, government and possession within all other states from violence and attack, upon condition of receiving for itself a similar guarantee, must be understood as morally implying the previous establishment of such a system of general government as may secure and enforce upon all kings and nations an internal system of peace and justice. Till the mode of constructing such a system shall be devised, the consequence is inadmissible, as nothing could be more immoral, or more prejudicial to the character of government generally, than the idea that their force was collectively to be prostituted to the support of established power, without any consideration of the extent to which it was abused.¹

As the Holy Alliance degenerated more and more into a mutual guarantee of autocracy, Great Britain withdrew more and more from co-operation with it, and all through the history of the Confederation this conflict of principle between the British

¹ Memorandum on the Treaties presented to the Powers at Aix-la-Chapelle. Quoted in *The Confederation of Europe*, by W. Alison Phillips, p. 25.

and the continental governments went far to paralyse its efforts.

The scope which the British Government assigned to the Confederation was narrower. They were averse on principle to intervention in internal affairs, though they made an exception in the case of France, where they regarded the rule of Napoleon as a menace to the peace of Europe. They thought that the Confederation should limit its aims to the overthrow of Napoleon, security against renewed aggression on the part of France, and a system of treaties which would secure the territorial arrangements made at the peace. It was this policy which did in fact prevail at the Congress of Vienna, and if it failed of permanent results it gave nevertheless a period of comparative freedom from warfare which enabled the nations to recuperate from their twenty years' struggle.

That this settlement failed of permanence was due in the main to the other essential flaw in the policy of the Congress. The territorial arrangements embodied in the treaties were largely artificial, based rather upon a dynastic *status quo* than upon national boundaries. It is probable that no better solution could have been reached at the

time. Neither in Germany nor in Italy had the revival of national feeling, the desire for unity, yet taken definite shape. The crying need of Europe was for peace almost at any price, and it would probably have been impossible to secure that peace if the dynastic claims of the various princes had not been respected. The peoples of Europe had no effective control of policy ; the policies of most of the princes were essentially personal and selfish ; it was a question of buying their support by almost any terms on which a period of peace could be purchased.

Such a settlement, however, could not, in its nature, be permanent. The French Revolution had re-awakened at once the spirit of liberty and the spirit of nationality. The excesses of the Revolutionary party and the aggressions of Napoleon had for a time united the rest of Europe in a Confederation whose policy was based upon maintenance of established order with little regard for the new spirit. But the new wine could not long be kept in the old bottles. The peoples who had so generously supported their governments against Napoleon saw themselves cheated of their reward. The desire for national unity and independence

became too strong to be restrained by an artificial arrangement of boundaries. The risings of 1848 in Vienna, Prague, Cracow, Sicily, the barricades in Paris, the revolt of Schleswig-Holstein, the conflict between Austria and Hungary, between Austria and Sardinia, marked at once the limit of the reaction and the bursting by the national spirit of the artificial bonds imposed upon it. Some of these uprisings were successful, some of them were crushed. But where they were crushed it was by the exercise of sheer force. The problems remained, some of them to be settled by later wars and insurrections, some of them to trouble us to-day.

It will be as well to define what we mean by this principle of nationality, the non-observance of which by the Congress of Vienna deprived its decisions of permanence. It is the more important to do this, because there is a tendency in discussing the problems presented by the present war to confuse nationality with race. Race is indeed one of the factors of nationality, but it is not the whole. In Great Britain a nation has been formed by the fusion of widely different races. In Belgium two strongly marked races, without fusion, have united

to form a genuine nation. In Serbia and Montenegro we have two distinct nations though only one race.

By a nation we mean, broadly speaking, a population united by common interests, common institutions, common sympathies, common traditions, and a common history, and by a consciousness of unity which leads it to desire a common government. In general this involves community of race or at least of speech ; but in some cases, such as Belgium and Switzerland, we find men who differ in blood and speech united by other ties so as to create a genuine national sentiment. The cardinal defect of the Austro-Hungarian Government has been its failure to create such ties and to unite by any community of feeling and interest the various peoples of the Empire.

The principle of nationality is that the frontiers and policies of States shall be so regulated as to satisfy these claims. It implies that a population united in this way by national sentiment shall either form an independent sovereign State or shall compose an autonomous, self-governing community within the State. Whether the national aspirations of a people can best be satisfied

by complete sovereignty or by local self-government depends upon a variety of factors, the numbers of the population, the geographical nature and position of the territory they occupy, their political and economic relations with neighbouring States. Denmark, for instance, though relatively insignificant in area and population, is marked out geographically as well as by its history for complete independence ; while Finland under the old constitution, which we may hope will be restored at the end of the present war, presented an example of a people enjoying complete freedom of national development, though the geographical position of the territory which they occupied brought them almost inevitably within the boundaries of a larger State.

There is nothing, therefore, in the national idea which precludes the existence of Empires—the association of a number of self-governing communities in an over-State, under the leadership of the most populous and important. It requires only that the association should be voluntary, and that the self-government of the separate communities should be complete. The British Empire of to-day presents an example of such an association, based on

the free consent of self-governing communities, while the Austro-Hungarian Empire is the typical example of one which is based on force and domination of the smaller nationalities by the more powerful.

The idea of nationality is, of course, based on the first principle of democracy, that the essential condition of all legitimate government is the consent of the governed. Its general observance has become an essential condition of European peace. If the principle is denied, we must admit the right of a State to conquer and hold in subjection by sheer force provinces inhabited by men of an alien nationality. This, in the first place, involves the creation of centres of unrest and the outbreak of internal strife, by which neighbouring States, especially if they are akin to the subject populations, are liable to be affected. In the second place a government which denies the principle of nationality is compelled to base its rule on force and becomes necessarily more and more militarist in its whole policy. From these causes it follows that a political arrangement of frontiers which disregards the national principle cannot be permanent; and that, therefore, no lasting understanding or alliance between the States

composing the European system is possible ; both because the *status quo* is at any time liable to be upset by the explosion of internal unrest, and because of the latent conflict which is necessarily set up between States based on the principle of domination and those of the same nationality as their own subject races. The treaties by which the decisions of the Congress of Vienna were confirmed failed to secure permanent peace because they disregarded this principle and thus constituted an artificial bar to the irrepressible tendencies of natural development. If the settlement at the end of this war is to have any better fortune, it must be founded upon a sounder statecraft.

It is important to keep in mind that the application of the theory of nationality does not necessarily involve the creation of a great number of small independent States, which might form a source of weakness rather than of strength, by presenting a tempting bait to any great Power whose government was still imbued with the old theory of conquest. The national aspirations of peoples at present subject to alien domination would in many cases be satisfied by uniting them with kindred independent States

which already exist. Wherever possible this course would present a double advantage. It would strengthen the existing States ; and by removing the outstanding problem of their foreign policy, it would enable them to give more attention to internal affairs, the improvement of administration and the development of their resources. It is important also to remember that an alternative solution may be found in the resolution of a military empire held together by sheer force into a federal union of autonomous states, united economically by a Zollverein and politically by a central government dealing with joint affairs in the general interest—its conversion, that is to say, from the Austrian to the British type.

The independence of the smaller States may perhaps be secured by a collective guarantee of the Great Powers. The expedient is one which has been tried in the past and has proved worthless ; as in the case of the Duchy of Cracow. It is open also to the disadvantage that in the event of any State violating the treaty and the guarantors acting up to their engagements, it becomes impossible to localise the conflict. On the other hand, short of a federated

Europe with a police force greater than the armaments of any individual Power, which is hardly within the present scope of practical politics, it offers the best security for the independence of small States, the best means of giving expression to the idea of public right and international law. The greater the number of guarantors the greater will be the deterrent to aggression and the greater the security for peace. It is obvious, however, that to enable such guarantee to be effective the State which it protects must be founded on a natural basis. If the arrangement is an artificial one based only on temporary expediency, the guarantee will be robbed of its moral sanction, and will not be effectively supported. We may hope that one result of the present war will be a greater respect for guarantees ; but if this is to be so, the territorial arrangements to be protected must be framed on national lines. We shall have to consider in a later chapter the possibility of extending the system to include a mutual guarantee against aggression by *all* the Powers. It will be sufficient to say here that this idea can only be rendered possible by an equitable settlement which shall so far as possible remove causes of future conflict.

The attitude which we adopt to these and other suggestions for securing European peace will depend very largely upon our general conception of the relations of one nation to another. It is clear that if we regard nations as rival units, so that the prosperity of one nation or group of nations can only be promoted at the expense of others, no permanent settlement is possible. The alleged economic rivalry of nations can best be dealt with in a later chapter, in connection with the economic problems of the settlement. It is sufficient for the moment to say that while there is a good deal of dispute as to the extent to which the victor can compensate himself for his losses by the exaction of indemnities and by capturing enemy trade, there is a very general agreement that no profit of this nature is sufficiently large or sufficiently certain to be worth the risk of war; and there has been a remarkable disclaimer since the outbreak of the present conflict, of the idea that nations would to-day go to war to obtain these ends.

There remains the conflict of national cultures. The supposition that a nation can best promote its own culture or express its national consciousness by imposing that cul-

ture upon others is bound up with the theory of domination which we have seen to work so disastrously. Moreover, the indignation and disgust which German methods have excited not only amongst ourselves but in neutral countries suggest very forcibly that it is not by military aggression that national culture can make itself respected. A world which has been thrilled by the heroism of Belgium will not readily acquiesce in a theory which associates national virtue and greatness either with extent of territory or with military power. We believe to-day that the splendid courage of our soldiers and our Allies will be crowned by history with a more lasting fame than even the devotion of the German masses. We believe that the sacrifices we are making in this war will add to the respect in which our nation is held. If we analyse our reasons for this belief, we shall find that it is precisely because the valour of our fighting men is exercised on behalf of something which we rank still higher than military fame or the glory of conquest. We are not seeking to make our national culture respected by imposing it upon others; we have not resorted to force in furtherance of our own policy. We are fighting, so we believe, to

restrain the attempt made by a military caste to impose a reign of force upon Europe ; to secure the quiet enjoyment of national life by ourselves, by our Allies, and by the nations of Europe as a whole. Our quarrel with the governments of Germany and Austria is not that they will not adopt our form of civilisation, but that they threaten the civilisation of others. We are fighting, in Mr. Balfour's words, " for the cause of all small States, for the cause of all those countries which desire to develop their own civilisation in their own way, following their own ideals, and without interference from any insolent and unauthorised aggressor." ¹ If this is so, if these are the objects for which we are fighting and the principles by which we shall be guided in the settlement, we may surely regard as at least a working hypothesis the idea that nations are members of a community, the prosperity of each depending at once upon security for its own internal development, economic, intellectual, and moral, and upon co-operation to this end with the other members. It depends upon our adoption or rejection of this hypothesis whether

¹ Speech at Guildhall Banquet: *Times*, November 10, 1914.

we regard war or peace as the normal relation of States, and consequently whether our main object is to strengthen our hands for future wars or to secure ourselves against their breaking out.

If we accept the former view it is obvious that justice and expediency will not necessarily coincide. If we regard military strength as the sole criterion of national greatness and as in itself conferring the right to dominate weaker Powers, it becomes absurd to talk about international law or morality. In the rectification of frontiers, etc., we shall be obliged to have regard rather to considerations of strategy than to strict equity or the principle of nationality. If we adopt the latter view, we shall find, broadly, that justice and expediency point in the same direction, since the peace for which we are working can only be secured by a settlement which is natural and therefore just. We shall seek the advantage of military victory not in upsetting the balance of justice, but in giving effect to the policy dictated by justice. It will become more important to settle disputed questions which involve a risk of war than to acquire positions which may give an advantage in war. It may be neces-

sary to exact certain pledges which will secure us against a renewal of the conflict before the principles of the settlement have had time to take root; but since these measures can never of themselves secure permanent peace, we shall regard as of primary importance such steps as clear away possible sources of conflict and pave the way to a European *entente*.

It may be remarked in passing that the strategical rectification of frontiers, where it does not involve the transfer of any considerable territory, but is merely a question of isolated fortresses or of positions exercising a strategic command, does not involve the principle of nationality to any great extent. Where political boundaries stop just short of a natural frontier—a river, a range of mountains, or any strongly marked natural feature—it may be desirable that they should be modified in the direction of geographical completeness, even at the expense of some small transfer of population. If an existing frontier gives disproportionate facilities for aggression to one of two States it may be well that it should be rectified. Beyond this it is not necessarily desirable to go. The dangers and disadvantages incurred in the

transfer of considerable populations to alien rule outweigh altogether any strategic advantage which can be obtained. Even the advantages to be obtained by the acquisition of isolated strategic points are liable to be offset by an increase of armaments and of fortification on the part of the State from which they are taken. And if they cannot be geographically incorporated in the territories of the Power acquiring them, they will necessitate an increase of armaments on *its* part, in order to maintain them, altogether out of proportion to their intrinsic value. In the case of strategical positions which are valuable mainly for offensive purposes, or which, in the hands of their present possessor, appear to constitute a menace to the peace of the world, it may sometimes be possible to provide for their neutralisation. The general principle of neutralising important centres of world-traffic is deserving of the most careful consideration and may receive some extension in practice at the end of the war ; but it will obviously be necessary in each case to weigh very carefully the interests of all parties concerned, not least of which are the necessities of our own position as a sea-Power. The treatment of all these questions

of strategic points must represent something of a compromise between purely strategic interests and the still higher considerations of future policy and the possibility of a wider understanding between nations.

If the idea of a European *entente* or alliance, to which reference has several times been made, is to be realised, or even advanced, it will be necessary that the settlement should, so far as possible, be European. Discussion of the terms of peace in the Press and elsewhere shows a considerable difference of opinion as to how far the settlement should include any questions not arising directly out of the war and as to whether any nations other than the actual belligerents ought to be allowed a voice in it. If we regard the war simply as a trial of strength between two groups of Powers—whether we call it a conflict of cultures or an expression of the law of struggle between nations—then obviously these terms are no one's business but the victors'. In that case, however, we must abandon any hope of securing permanent peace. If, on the other hand, we regard it as a struggle between the spirit of freedom and co-operation and that of domination and aggression, we shall look upon the

end of the war as an opportunity to establish European society upon a sounder basis. If that be so, the wider the scope of the settlement and the greater the number of States taking part in it, the better. There are, no doubt, practical difficulties in the way of dealing with questions not actually raised by the war. Yet if we hold to the larger conception of the struggle, it will be to our advantage so far as possible to deal with all outstanding problems which involve the principles for which we are fighting.

The view that the settlement should be European is further supported by the fact that neutral countries are in fact suffering very heavily through the war. To some extent this has always been the case; but there can be little doubt that the complex interdependence of modern life has tended to accentuate the sufferings of neutral peoples. In just the same way the countries now belligerent would suffer in any war in which they were neutral. To a greater extent than ever before, each nation of the civilised world has come to depend for the uninterrupted development of its own social and commercial life not only upon peace with other civilised countries, but also on peace between

those other countries. If, therefore, a chance presents itself at the close of the present war to call together *all* the European nations in a conference for the discussion of *all* outstanding difficulties in the relations of the European peoples, it would seem that we should be wise to take advantage of it. It is said to be unfair that those countries which have not shared with us the burden of the strife should share in the benefits of the settlement. Apart from all questions of justice and morality, this crudely selfish point of view does not truly represent the facts of the case. The maintenance of European peace is a common interest of all the nations; and in so far as the settlement of disputed questions in which neutral Powers are involved tends to the preservation of peace, it is to our advantage that they should be dealt with. In some cases it will be very much easier, from the point of view of practical politics, to deal with these questions, if the countries concerned do take up arms upon our side. But as a general principle it would probably be wise, even on the narrowest considerations of national interest, to make the settlement as wide-embracing as possible.

We must not forget, moreover, that whatever be the upshot of the war, Germany will still retain her place in the European system. We have seen how impossible it is that even her military power should *permanently* be crushed by defeat. She will retain her great and homogeneous population, her high birth-rate, the genius for hard work and education by which she has become great. It is impossible to forecast the effect of the war upon her political life. We may hope that the failure of the policy of aggression into which she has been dragged, will discredit the doctrines of her militarist class and strengthen the hands of the more progressive parties against whom it has with difficulty held its own. It will certainly be for the advantage of Europe that this should be so, and that the policy of the Allies should encourage any such tendency. A victory for Germany which would enhance the prestige of the Prussian militarists would be fatal to European peace. It might be equally fatal if the Allies, being victorious, should go back on their declarations, and by adopting the Prussian policy of conquest, or by a rash interference with German internal affairs, enable the Junkers to hold

themselves out as the natural leaders of a German *revanche*. It is not likely that there will be any sentimental weakness towards Germany on the part of the Allies. On the other hand we must see to it that we do not throw away, for the gratification of any sentiment of revenge or triumph, the wider and deeper interests which we have at heart.

These interests embrace nothing less than "the vindication of public right" in Europe, to use the words of Mr. Asquith, "the saving of European civilisation" in the phrase of M. Cambon. If that civilisation is to be secured against a recurrence of this catastrophe, if public right is to be fully vindicated, it must receive expression in some form of European organisation, whether it take the shape of a European Confederation, the establishment of the "United States of Europe," or simply an extension of existing alliances and *ententes* to include all the greater European Powers, with a mutual guarantee against aggression. Such a guarantee would secure the Allies against the fear of a war of revenge, and would prevent the militarists of Germany from working on their people by stimulating a fear of Russia.

This idea of an allied or federated Europe has often been brought forward in the past, but has generally been dismissed as impracticable. It *was* impracticable so long as the political system of Europe was based upon an artificial arrangement of boundaries. It could have little value so long as the old belief in a policy of conquest and domination remained unimpaired. But if we can achieve a peace based upon the principle of nationality and the equitable settlement of vexed questions, if we can keep before ourselves the idea of public right to vindicate which we are fighting, it ought to be possible to take some step in this direction. The nations of Europe have a common interest in peace and in a reduction of the burdens of armament competition. Both reason and experience tell us that so long as Europe is divided into rival groups, the armament competition will go on and peace will be liable to be broken. Common interests can be secured only by co-operation, and if these common interests are fully realised, co-operation should be possible. We may be accused of looking towards a Utopia. But the Utopia of to-day is the practical politics of to-morrow. The abolition of the slave trade was long a

Utopian dream, yet Castlereagh, the least visionary of statesmen, brought it back from the Congress of Vienna. Religious toleration, representative government, internal order and justice would all at one time or another have sounded equally Utopian to our ancestors. No one of these reforms came all at once, nor will the Peace of the World. To expect it to be born full-grown from the chaos of to-day might justly stamp us as visionaries. But like them, it can be obtained if practical men will give practical effect to the steps which lead up to it. It will be for us, when we come to the end of our present struggle, to take the first step.

CHAPTER IV

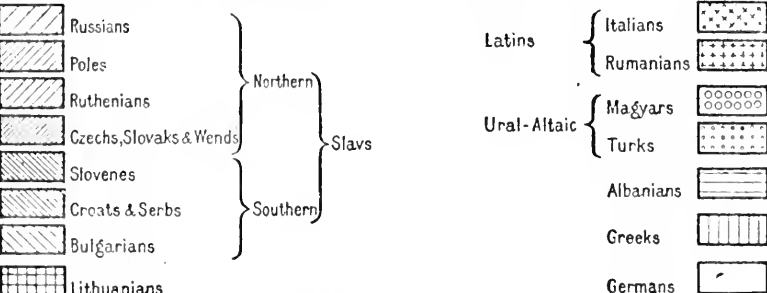
THE TERRITORIAL PROBLEMS OF THE SETTLEMENT

WE have seen that the immediate causes of the war must be sought in questions of nationality and of alien domination. We have seen also how large a part these questions have played in creating centres of European unrest and sources of friction between the various States. If the Allies are successful, it is certain that extensive territorial rearrangements will be demanded ; and if it is hoped to arrive at any real settlement of international problems which will contain a possibility of permanence, these rearrangements must be at once somewhat sweeping in character and actuated by the principles of a farsighted and unselfish statesmanship.

They must be based not upon the crude right of conquest, but upon the best interests of the populations concerned ; upon a sincere attempt to re-unite divided peoples and to

create healthy and vigorous nations. The errors of the Congresses of Vienna and Berlin lay in perpetuating an artificial arrangement of frontiers and subordinating the vital interests and national aspirations of the peoples concerned to a mechanical balance of power or the dictates of uninspired political expediency. These errors must be avoided and reversed. Yet while imagination and sympathy will be demanded from the statesmen of Europe, they may need all the firmness, all the coolness of judgment which they possess, to enable them to resist the claims put forward by unpractical enthusiasts.

Since the outbreak of the war there has been much re-drawing of the map of Europe on the part of amateur politicians. In some quarters this fascinating pastime has been carried to a length which is indeed a little ridiculous. It is only the amateur or the visionary who ventures to dogmatise confidently on the subject. We do not yet know the conditions under which peace will be made. The extent of the victory which we hope will be achieved, the degree of exhaustion of the combatants, the disposition of the peoples concerned, the attitude of neutrals, the possible belligerency of some countries



RACIAL MAP OF CENTRAL EUROPE.

at present neutral—these are all unknown factors of the situation which will vitally affect the settlement.

Even if these could be determined the actual problems would remain complex and difficult. It is easy to talk of the principle of nationality as applied to transfers of territory—but populations are not always homogeneous. There are scattered peoples, provinces with large minority populations. Religious divisions cut athwart racial frontiers—and in Eastern Europe religious animosity may be a factor of the first importance. Peoples of kindred race are divided by hereditary enmity, bridged over, it may be, in recent years, by mutual resistance to the oppression of a third party. All these factors need to be taken into account, and it requires first-hand knowledge to deal with them adequately. Moreover, we have to remember that we are not fighting this war alone. Our Allies will have their own views as to the settlement, and these—especially in this matter of the re-drawing of boundaries—may be other than our own. We shall use our influence doubtless in favour of the course which seems to us to be the best ; but it is folly to overlook the necessity for considering the desires

and interests of those who equally with ourselves will have a voice in the matter. It is well that we should know clearly what we wish upon every point ; but it is at least prudent to realise that upon some of them we may have to give way. It is certainly not by a confident dogmatism that we shall best make our wishes respected.

Further, while common nationality may be the essential foundation of a stable and prosperous State, geographical and economic factors cannot be left out of account. To ignore the relation of a coast to its hinterland or to sever districts united by every tie of economic interest may condemn a whole people to impoverishment and decay, in seeking to satisfy the national claims of an insignificant minority. The distribution of the peoples of Europe is the result of centuries of conquest and re-conquest, of emigration and commercial settlement, and to set up a claim to national rights on behalf of every scattered colony is to instal a mere will-o'-the-wisp as the object of statesmanship. To claim for a nation everything that it possessed at the time of its greatest expansion would in many cases be to violate existing national sentiment in favour of an historic legend. We have to

deal not with a mere outline map which we can colour as we please, but with the very practical and complex problems presented by a Europe which is the result of centuries of development, and these problems can be solved only if the application of sound general principles is accompanied by a just appreciation of the bearing of existing facts. To formulate these principles may be an excellent occupation for the theorist and the philosopher; to apply them is the task of the practical man of affairs.

It is absurd, therefore, to pretend that we can settle offhand all the difficult and complex questions which will arise at the peace. Yet their very difficulty and complexity render it more important that we should be familiar with the facts which are ascertainable concerning those problems most likely to arise ; and that we should form some idea of the general bearing upon them of the great principles which are at issue.

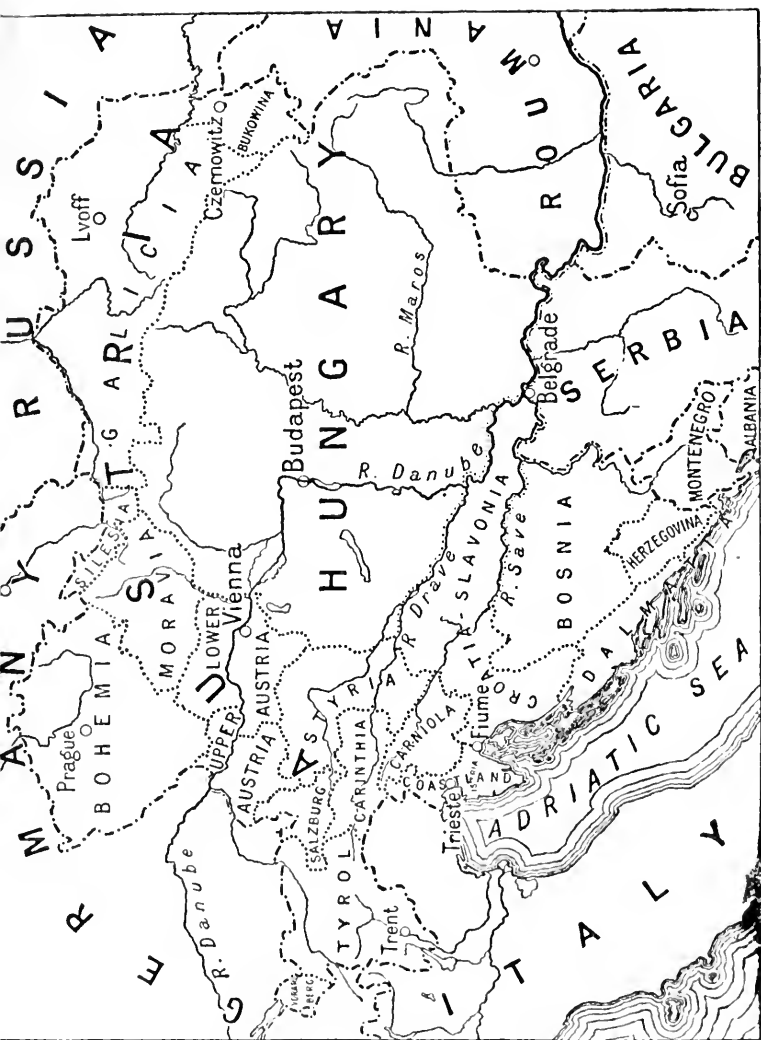
As regards territorial rearrangements, the greater number of questions likely to arise affect various provinces of the Austro-Hungarian Empire. We have seen already how the very nature and composition of that Empire has made it a menace to the peace of

Europe, and it is hardly conceivable that it should survive the war in its original shape. Even were the Allies unable or unwilling to impose terms involving its dismemberment, it is doubtful whether it could resist the operations of those internal forces which tend to disruption.

The alternatives which have for a long time seemed to present themselves to the Empire were dismemberment or federation. With the rise of national consciousness amongst the various populations it seemed certain, under the existing conditions, that they would either break off from the Empire as independent States or become absorbed, sooner or later, by the States of kindred nationality which lay across the frontiers. The only method of keeping the Empire together and the only chance of creating a real national consciousness would have been its resolution into a loose confederation of autonomous States, in which each distinct nationality received self-government for its own affairs, while an impartial central government looked after the common interests. As we have seen, this policy had to some degree been attempted by the Austrian Government, and a strong party, which included the mur-

dered Archduke, favoured its extension. But the invincible obstinacy of the Magyars and the old bad traditions of Austrian policy stood in the way.

It is doubtful how far this method could be applied to-day. There has not been time for the measures actually taken by the Austrian Government to have any very deep effect. The whole structure has now been shaken by the war. The army, which was the one real link between the different nationalities, has been demoralised by defeat. After allowing for much newspaper exaggeration, it appears certain that the stress of war has provoked a dangerous outbreak of recrimination and disaffection among the members of the Empire. The operation of these factors will have profoundly modified the situation. A solution based on federal autonomy is peculiarly dependent upon the goodwill and co-operation of the various peoples. It is not one which can successfully be imposed from without, and there is little likelihood that it would now be undertaken from within. In the case of the provinces inhabited by Poles, Serbs, or Roumanians it is highly improbable that it would be accepted either by those inhabitants or by Russia, Serbia, or Roumania. Its



THE AUSTRO-HUNGARIAN EMPIRE.

application, even if possible, must at best be partial.

The great argument against dismemberment has hitherto been the fear of a Slav hegemony. It has been feared that the break-up of Austria would dangerously increase the power of Russia, either by the actual incorporation of Austrian territory or by the ascendancy which she would acquire among the smaller Slav States created. If Europe is to be guided after the war by the old doctrines of rivalry and domination, this consideration has much force. But it is precisely these doctrines which have involved us in the present catastrophe. It is permissible to hope that they will at least have lost some of their attraction, and looking at the situation in the light of newer conceptions, it would seem that with the disappearance of the Slav grievances, of the restrictions arbitrarily imposed upon the development of Slav nationality, the Slav menace will disappear also.

The position of Germany is different. It presents two main problems—Prussian Poland and Alsace-Lorraine. The remainder of the Empire, despite the differences between the North and South Germans, is—roughly speaking—racially homogeneous and has a large

measure of national unity. The problems presented by these two cases have their own difficulties, but they do not vitally affect the existence of the German Empire.

To deal fully with all the considerations, historical, racial, religious, economic, political, involved in the various territorial problems which may come up for settlement would require volumes. All that is possible here is to indicate very briefly their leading features, in such a way that we may see how they are affected by the principles which have been discussed, and what bearing they have upon the central problem of securing a permanent European peace.

We shall avoid so far as possible complicated statistics or the discussion of historical and ethnographical niceties. Indeed, it is quite possible by too close a study of these details to obscure the broad outlines of the situation and its possibilities, with which only we are now concerned. The shortest treatment must occupy some space ; but we have to remember that an obscure squabble of Balkan policy may, under present conditions, plunge all Europe into war. If we are to secure better conditions, to make possible the Alliance of Europe, we must now or in the

near future find some way of settling these questions, and we dare not leave the least of them wholly out of account.

It is necessary to repeat that the possibility of effecting an all-round settlement depends upon factors which are yet uncertain. There are certain readjustments which the Allies will certainly demand as a condition of any peace which may be made ; there are other questions which are only likely to arise if the defeat of the Germanic Powers is overwhelming, or if the Austrian Empire breaks up, as a result of the war, from sheer lack of cohesive power. If we are to be prepared to deal adequately with any situation which may arise, the only way is to acquaint ourselves as far as possible with the elements of *all* these problems, bearing in mind that it may not be possible to take action in respect of more than a certain number, yet remembering also that those questions with which we are unable to deal at the peace will remain to be solved in the future. The same principles which guide us in the settlement after the war will remain valid in respect of the policy which we shall urge in the counsels of Europe during the period of reconstruction which must ensue.

We may begin with that question which is

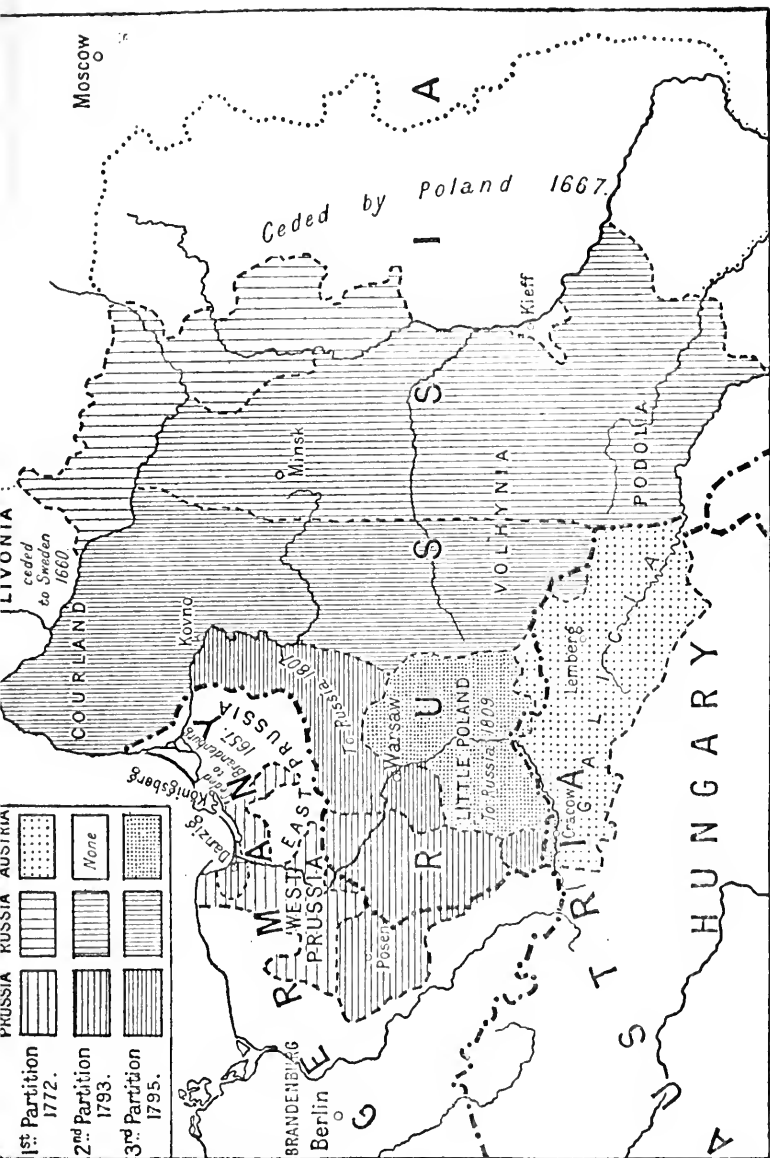
common both to Germany and to Austria—the problem of Poland.

Poland until 1795 was an independent kingdom. The outlines of its stormy history are tolerably well known. Its constitution was excessively loose and awkward ; its central government weak ; its nobles, who possessed the real power, turbulent and impracticable. Its history is one of perpetual internal disturbances and foreign wars. There can be no doubt that it represented something of a European nuisance. Yet its partial partition between Prussia, Russia, and Austria in 1772 has been generally condemned as bare-faced brigandage. Whatever right of intervention the anarchy of Poland may have given to its neighbours, it could not justify this wholesale annexation of Polish territory. It was in keeping with the whole character of Frederick the Great, who suggested it ; it is known to have occasioned the bitterest remorse to Maria Theresa.

In 1793–5 a national movement of reform was crushed by the three Powers, the final partition took place, and the old Kingdom of Poland was extinguished. Many Poles entered foreign service and their hopes for a revival of their kingdom were centred upon

Napoleon, who, however, did no more than create the Duchy of Warsaw with his ally, the King of Saxony, as Grand-Duke. This duchy was annexed to Russia by the Congress of Vienna, which, however, left the district of Cracow independent, under the protection of a joint guarantee by Prussia, Austria, and Russia, a guarantee which did not prevent Austria annexing it in 1846 with Russian and Prussian consent. It is to be noted that both Great Britain and France protested fruitlessly against this annexation as a breach of international obligations.

It is not necessary to trace in detail the history of the Poles under alien rule ; but in order to understand the present position it is important to keep in mind that in all three countries they have had to struggle hard to preserve their nationality and that they have never quite abandoned the hope of reunion. Russian Poland under Alexander I became a separate kingdom under the Russian Crown with a fairly liberal constitution, but sank to the position of a mere Russian province after an unsuccessful rising in 1830. Further risings in 1860-63 led to the final loss of Polish autonomy and the adoption of a repressive policy of Russification. It is again worth



THE PARTITIONS OF POLAND.

noting that the British Government in 1831 protested against the withdrawal of the Polish Constitution, on the ground that it was a breach of the Treaty of Vienna, and that a more lenient policy would reconcile the people to Russian rule. The policy thus advocated would probably have been the wisest ; but it is at least arguable that the Poles had proved themselves politically incompetent and that the Russian Government had grounds for impatience. The whole history of the Poles under Russian rule is one of mutual misunderstanding and blundering. Yet there is a better hope of final understanding between these two Slavonic races than between the Poles and their German rulers in the Central European Empires. To-day the population of Russian Poland numbers about nine and a half millions, of whom about seven and a half millions are Slavs and over a million and a quarter Jews. Its industrial development in recent years has been very great, and the bond of economic interest between Poland and the Russian Empire has become strong enough to modify the attitude of both parties.

The Austrian Poles, numbering to-day about five millions, are concentrated almost entirely in the province of Galicia, where

they form, roughly speaking, one-half of the population, the remainder being mostly Ruthenians, a race allied to the inhabitants of South-Western Russia. The Austrian Poles have, during recent years, been in a more favourable position politically than those of Russia or Prussia. The Austrian Government has bought their support by giving them a considerable degree of autonomy and by favouring them, politically and educationally, at the expense of their Ruthenian neighbours. Their economic development has, however, been greatly restricted. On the whole they have been the most contented section of the divided nation, and at the beginning of the war they showed an inclination to respond to the appeals made by Austria. It is unlikely, however, that any measure of autonomy which Austria could offer would weigh with them against the opportunity of reviving the united Polish kingdom.

The Poles of Prussia, who number some three millions, have been subject to a very scientific and "thorough" process of Prussianisation, including a systematic campaign against the use of the Polish language. They form the majority of the inhabitants in the province of Posen (with the exception of cer-

tain western districts), in Upper Silesia, in part of West Prussia, and in the southern strip of East Prussia. Deprived of political power, they have striven to acquire economic strength. Attempts to hinder the development of Polish industries have been met by a boycott of German goods. The expropriation of the great Polish landowners has resulted in the creation of a solid class of peasant proprietors. German colonists have been introduced into the Polish districts; but the result has been rather that they have been assimilated by the Poles than that they have Germanised their neighbours. The scientific and cold-blooded nature of the Prussian propaganda, no less than its heavy-handedness, has made the Prussians better hated than either of the other alien rulers of Poland.

At the beginning of the war all three nations made a bid for Polish support with large promises; but that which seems to have appealed most to the Polish imagination was the Russian proclamation promising to re-unite the Polish kingdom under the Russian Crown. With regard to this there are three questions to ask. Is the promise genuine? Is it possible? Is it desirable? That it is genuine both the Poles and the

Russian liberals believe in spite of all past troubles. It is believed by many liberal Russians that the reactionary tendencies of the bureaucracy have been largely due to German influence. They believe that the present war will bring together the Tsar, the peasants, and the moderate elements of the progressive parties, and that it is likely to be followed by a policy of decentralisation and local autonomy. This policy, in fact, offers the only possible hope of solving the problems presented by the enormous extent of the Russian Empire. In any such programme Polish autonomy would form a necessary part. Moreover, a united and contented Poland would at once remove the greatest of Russia's internal problems and immensely strengthen her position in Europe. On the other hand, the acquisition of some eight million additional Polish subjects unaccompanied by the grant of autonomy would enormously increase the difficulties of the Russian Government and would afford a fertile field for German and Austrian intrigue. There is no reason to doubt the Tsar's personal sincerity, and the interest of the Russian government appears to lie in the keeping of their promise.

Is it then feasible? The Russians are al-

ready in occupation of a large part of Galicia. If the Germans have invaded Russian Poland the Russians are thundering at the gates of Eastern Prussia. It is at least possible that the next few months will see their armies in the heart of Prussian Poland. It is certain that the Germans will not relinquish a foot of territory without a struggle, but it is not likely that they will make the same sacrifices to retain these provinces as they would make for the retention of those whose inhabitants are German in speech and birth.

The delimitation of a frontier would be difficult, since districts purely Prussian are divided by districts mainly Polish. In such a case as this it is useless to wrangle over ancient history. A district which has been Prussian for centuries, which is to-day German in speech and sentiment, cannot be claimed for the new Poland on the ground that its original inhabitants were Slavs. The Prussians themselves are largely of Slavonic origin. Northern Germany as a whole acquired its Teutonic character as the result of conquest and assimilation; but where that assimilation has taken place, it is idle to go back to the time of Charlemagne, or even to that of the Teutonic knights, for racial boun-

daries. It is existing national sentiment which we have to consider to-day, not racial origins which have been modified by centuries of history. In the same way, it cannot be contended that Danzig and Königsberg are to-day Polish because they once belonged to Poland. We have to remember that Poland in the days of her independence was not averse from conquest, and the extreme limits of her ancient power cannot be taken as her natural boundaries. Towns and districts which have been for centuries identified with German history and which are to-day purely German in character cannot be taken from Germany without creating sources of unrest and discord exactly similar to those created by German aggression in the past. On the other hand, the introduction of German colonists as an instrument of Prussianisation does not rob essentially Polish districts of their national character. The one great difficulty is presented by a narrow slip of originally Polish territory (in West Prussia) which runs up to the Baltic and divides East Prussia from the remainder of the Empire. It is not to be expected that Germany would consent, save in the last extremity, to anything approaching dismemberment, or would refrain

from endeavours to upset any such arrangement if it were carried out. On the other hand, it is contended that geographical and economic considerations suggest that the mouth of the Vistula should be in the possession of the State through whose territory it runs, and that free access to the sea is necessary for the prosperity of the reconstituted Polish kingdom. This argument is certainly a strong one, but the political difficulties involved in a separation of East Prussia from the rest of Germany would appear to be decisive. Not only is it inconceivable that Germany would submit to such dismemberment without a struggle which might indefinitely protract the war, but it is as certain as anything in foreign policy can be, that it would lead to a renewal of war in the future. A compromise might perhaps be found in leaving Danzig to Germany, but providing for the free navigation of the Vistula and a bonded railway from Danzig to the Polish frontier.

However the frontier be drawn, there will remain racial minorities on either side of the frontier, but there will be a tendency for emigration either way to effect a readjustment, and in any case we have to remember here, as

elsewhere, that the application of the principle of nationality to territorial changes must always be more or less of a rough and ready character. If the Allies are victorious and if the claims of Polish extremists are overridden by the statesmanship of the Allied Governments and the wisdom of the more moderate nationalists, there seems to be no reason why the Kingdom of Poland should not be re-established in a form which would satisfy all reasonable aspirations of the Poles, without leaving on Germany any such scars as should disturb the future peace of Europe.

Is this re-establishment desirable? If we believe in the value of national development we must answer, yes. The Poles are an ancient race, with a highly developed language, a great literature, and a passionate patriotism. Under all the disadvantages of their present condition they have contributed largely to European art and science, and the strongly individual character of their civilisation renders it the more valuable in a world which tends too easily to uniformity. From the point of view of European culture it is eminently desirable that they should be "free to develop their own civilisation in their own way, following their own ideals." It is equally

desirable in the interests of European peace. There is no pretence that any section of the Poles has ever really acquiesced in foreign rule. They are united not merely by race but by all the elements of nationality ; by speech, by sentiment, by common traditions, by an historic past. There can be no hope that they will ever remain fully contented with anything short of political reunion. There is every sign that they have gained greatly in political wisdom. Their political leaders to-day come from the most moderate and practical of their parties. The spread of the co-operative movement by which they have sought economic protection, and its signal success both in Austrian and Prussian Poland, demonstrates a great advance in practical capacity. There appears to be no reason why a re-united Poland should not form a stable and useful member of the Russian Empire and of the European community.

We assume that the promise of autonomy under the Russian Crown will be kept. Indeed, as we have shown, it is to the clear interest of the Russian Government that it should be kept. In these circumstances, it is probable that Poland would be more happily situated, both economically and from

the point of view of political safety, under this form of association with Russia than as an independent buffer State between Russia and Germany. So far as can be ascertained, such a position would willingly be accepted by the Polish people, and the better understanding between the two Slavonic races which should result must be to the advantage of both. Nor will Germany really suffer. The final solution of the Polish problem should at once remove one of the chief causes of friction between Russia and Germany, and be of good omen for the internal progress of Germany itself. The sustained and fruitless efforts to break down the nationality of the German Poles have not only caused untold suffering to the Poles themselves, but have had a large share in imprinting upon the German Government its militarist and absolutist character. Domination and reaction go hand in hand; and the removal of the Polish problem should accelerate the development of German liberties. The re-establishment of the Polish kingdom would benefit not merely the Poles but every party to the partitions. It would also remove finally one of the most deep-seated causes of European unrest.

Ruthenes.—It was said that the Austrian Poles formed only about half of the population in the province of Galicia. Of the remainder, some 42 per cent. consists of Ruthenes, who form also 40 per cent. of the inhabitants of the adjacent province of Bukovina. The Ruthenes or Ruthenians are a Slavonic people belonging to the Little Russian race, a branch of the Russian nation inhabiting the south-west portion of Russia—the Ukraine. Unlike the Poles, the Ruthenes have received very little consideration from the Austrian Government. Whereas some five millions of Poles return about eighty members to the Austrian House of Representatives and possess two universities and ninety-three gymnasia or higher schools, the three and a half million Ruthenes return only about thirty members and possess no university and only ten gymnasia. The “Little Russians” are a somewhat backward race, and it seems to have been the policy of the Austrian Government deliberately to retard their development. It has certainly been a part of that policy to encourage dissension between them and the Poles.

The natural fate of the Ruthenes would

appear to be incorporation in the Russian Empire which includes the mass of their countrymen. It is certainly the solution which will be looked for by Russia, who has already occupied and announced her annexation of the Ruthenian portion of Galicia. It is probable that such annexation will be distinctly to the advantage of the inhabitants. It is true that Russian history contains the record of some unhappy blundering in the Ukraine. The Russian Government has been too much guided by the desire to impose a homogeneous character upon the teeming millions of the Empire, and has been prone to ignore the special individuality of the Little Russian people and to discourage the use of the Ruthenian dialect. But Russia is still in process of development, and there is reason to hope that if she succeeds after this war in solving the questions which have most agitated her foreign policy, her internal development will receive fuller attention and will proceed on sounder lines. The wisest of her politicians, as already mentioned, are looking to decentralisation and local autonomy as the best method of administering her vast Empire, and the best chance for the Ruthenes is probably to share these hopes with their

kinsmen across the border. From the Austrian Government they have nothing to hope, and to include them in the Kingdom of Poland would be fatal to any prospect of their development.

If, however, Galacia and the Ruthenian portion of Bukovina are incorporated in the Russian Empire, a wise statesmanship will be necessary in drawing the frontiers. In the main, the western portion of Galicia is Polish and the eastern portion Ruthenian ; and the line of the resuscitated Kingdom of Poland will no doubt follow this division. But however carefully it be drawn, scattered minority populations will be left on either side of the border, and if the new kingdom and the new provinces are to be free from sources of trouble, an equitable and sympathetic administration will be necessary, in order to secure fair treatment for these minorities. In Bukovina, while 42 per cent. of the inhabitants are Ruthenians, some 32 per cent. are Roumanians and 21 per cent. Germans, with a few Poles and Magyars. Of the Roumanians we shall have to speak later in connection with Transylvania. But here again, however the boundary is drawn, the German settlements, which cannot be united with any

German-speaking neighbours, and the scattered Poles and Magyars, can be safeguarded only by good government. It will rest with the justice and impartiality of the administration to render them a source of strength and not of weakness.

The Czechs.—To the south and west of Poland lie the provinces of Bohemia and Moravia, the remains of the old Bohemian kingdom. The Czechs or Bohemians form some 65 per cent. of the inhabitants in Bohemia, and 70 per cent. in Moravia, the remainder being Germans. In the fifteenth century, when the Crown of Bohemia finally passed by marriage to the House of Austria, the Czech nation was a powerful and proud one. Its conversion by Huss involved it in a desperate struggle with Austria, which was crushed after heroic resistance ; but for some two centuries more the Czechs maintained a separate national life. After a long period in which they seemed to be crushed out as a separate people, their consciousness was re-awakened by the recrudescence of national feeling in the early nineteenth century. The national language and literature have been sedulously cultivated and the dream of a

Bohemian kingdom has again arisen. Heavy German immigration has led to the formation of large German colonies in the two provinces, and in the Parliament of the Empire a scheme of minority representation has been devised for the two races. In some cases the older German families have thrown in their lot with the Czechs and consider themselves Bohemians even before Austrians. The development of Czech power politically and economically has become a very serious problem for the Austrian Government. It is less intimately connected with the present war than that of the Poles or the Ruthenes, inasmuch as the Czechs have no large body of kinsmen across the frontiers, and the question may arise whether it should be dealt with in the settlement.

Inasmuch as no one of the Allies has any direct interest in Bohemia it cannot be expected that they will make the solution of this problem a condition for which they are prepared to go on fighting. If, however, it is possible to call a general European Conference for the settlement of the future, it may become desirable to deal with this as well as with other questions likely to promote internal or external unrest. If the war results in any

definite collapse of the Austrian Empire the question may even become acute. It appears, indeed, that the Czech question is being raised energetically at the present time and that a national rising, either during the war or immediately after its termination, may force the Powers to face it and attempt a solution. In that case two alternatives seem to offer themselves. One is that an independent Kingdom of Bohemia should be created under the guarantee of the Powers ; the other that Bohemia and Moravia should remain under the Austrian Crown as an autonomous kingdom, on the same standing as the new Kingdom of Poland in the Russian Empire. There is no possibility in this case of any clear division between the two races which inhabit the provinces. In the main the German colonies form a ring round the Czech districts, and it might be possible for some of these German districts to be absorbed by Germany and by Austria. But in the north-east this would be impossible, and generally the economic interests of the two races are too closely bound together to render any satisfactory partition practicable. Bohemia and Moravia form an integral economic and geographical unit, and it will be impossible to delimitate the

frontier in any way that would get rid of a large German minority. Whichever solution is adopted, the internal progress of Bohemia will depend upon securing such impartiality in the constitution and government as will bind the two peoples together by the tie of common interests, and create from them a united Bohemian nation. In either case the economic strength of the provinces and the energy and ability of the people should secure their future prosperity.

That this prosperity would be promoted rather by autonomy than by independence is very probable. There is no considerable Czech population over the borders with which the provinces could be united. Bohemia—except in *The Winter's Tale*—is without sea-coast; her access to the markets of Europe lies across land frontiers and her economic interests might be best consulted by autonomy within some larger political system which would give her the advantages of inclusion within a Zollverein. The lot of a small inland State is not always a happy one, and provided complete self-government and liberty for self-development were assured to her, Bohemia might lose rather than gain by pursuing the phantom of sovereignty.

There are, of course, very grave difficulties in the way of attempting to impose upon any government a re-arrangement of its internal affairs—such as the granting of autonomy to a particular province. But if, as seems not unlikely, the Austrian Empire is thrown into the melting-pot by the combination of internal disturbance with military defeat, there will be ample opportunity to press any policy which seems likely to aid in the preservation of European order and security.

It should be mentioned that in Northern Hungary there are some two million Slovaks, a gifted and attractive people very nearly related to the Czechs, who might very properly, so far as the districts inhabited by them are capable of delimitation, follow the fortunes of their Czech cousins. They have been cruelly oppressed by the government of Buda-Pesth, and it is certain that they would welcome the opportunity of that reunion with Bohemia which natural and geographical considerations alike indicate.

Greater Serbia.—It is in the south, however, that the problem of nationality has become most acute for the Austrian Empire and has finally dragged Europe into war. As

we have seen, the strained relations between Austria and Serbia have sprung from the existence within the Austrian Empire of a great Slav population. Broadly speaking, the position is as follows: In Austria proper the seacoast provinces of Dalmatia and the Coastland contain some 100,000 Serbs, 800,000 Croats (a race nearly allied to the Serbs), and 100,000 Slovenes, also a kindred race. The inland provinces of Carniola and Carinthia contain 1,200,000 Slovenes. In the coast territory, the Italian element is nearly as large as the Slav, and in Carinthia nearly three-quarters of the inhabitants are Germans; but in Carniola the Slovenes preponderate to the extent of 95 per cent. In Dalmatia the population is mainly Serbo-Croat, with a small Italian minority. When we turn to Hungary we find that in the great province of Croatia-Slavonia and in the southern districts of Hungary proper there are over a million Serbs and nearly two million Croats, as well as 100,000 Slovenes. Further, by the annexation of Bosnia-Herzegovina, the Dual Monarchy has undertaken the administration of 850,000 Serbs and 450,000 Croats of the Christian religion, besides some 600,000 Serbo-Croat Moslems.

Among Austrian statesmen there was a party, headed by the murdered Archduke, which had conceived the idea of solving the Slav problem by uniting the Southern Slavs into an autonomous kingdom—thus converting the Dual into a Triple system. The Hungarian Government was resolutely opposed to any such concessions. Whatever appearance of constitutional government they were induced by Austria to accept was negatived by corrupt administration, and the condition of Croatia-Slavonia had been growing steadily worse. The effect was to unite the Croats and Serbs in resistance to their oppressors. Although branches of the same race speaking the same language (though written in different characters), the Croats and Serbs had never been united even in the days of Serbia's greatness in the fourteenth century. While Serbia lay prostrate under the Turkish tyranny the Croats were united to the Austrian Crown by ties of military service and were among the most ardent supporters of the Imperial greatness. Moreover, the Croats were Catholics while the Serbs were Orthodox, and religious animosity prevented any real union between them, even as fellow-subjects of Austria. In more recent

years the uninterrupted tyranny of the Magyars, the abrogation of the Croatio-Slavonian Constitution, and the determined refusal of the Government of Buda-Pesth to recognise the claims of the Southern Slavs to national existence, to the official use of their joint language, or even to elementary justice, have caused a *rapprochement* of the two races. The younger elements of both rallied round the programme of the Serbo-Croat Coalition. Oppression has given them community of interests; the differences between them have receded and the idea of common nationality has made progress. During the last decade at least, Croats and Serbs have worked together wholeheartedly to secure autonomy.

Meanwhile the rise of Serbia and the constant efforts of Austria to control or weaken her, led to the rise of a Pan-Serbian movement on both sides of the border. The annexation of Bosnia and Herzegovina by Austria, followed by the Serbian victories in the Balkan War, created a great wave of popular enthusiasm for Serbian nationality among the Serbs, Croats, and even Slovenes, in both the Austrian and the Hungarian provinces.

The problem of these Southern Slavs needs firm and statesmanlike handling if the menace which they have presented to the peace of Europe is to be removed. It is certain that the Serbians will desire to see their kingdom expanded westward at least to the limits of its ancient greatness. And even this, which would give them Bosnia and Herzegovina, would fail to satisfy the national aspirations of the Serbian race. The services of Serbia to the Allies have been great. She has neutralised, by dogged fighting and admirable strategy, a very large Austro-Hungarian force, and if we are to follow the doctrines of orthodox statecraft, she may justly expect a large reward. If we apply the principles of nationality and consent we shall find that these also will lead us to the creation of a Southern Slav State which would add to the existing Kingdom of Serbia the Southern Slav districts of Austria-Hungary. Independent Serbia represents national traditions which have persisted all through the period of Turkish misrule ; she is, in fact, the natural rallying centre for the kindred races in the Dual Monarchy. It is not a question of enlarging her borders at the expense of alien populations. It is fairly certain that the

union would be welcomed not only by the Serbs of Austria-Hungary, but by the Croats and even by the Slovenes. They might, indeed, resent the dictatorship of Belgrade or any form of government which made of the Serbs a ruling caste. But the idea of a Southern Slav State which should include the three closely allied races on equal terms is popular with all alike. "Jugoslavia," the Kingdom of the Southern Slavs, is the term by which Croats and Slovenes, as well as Serbs, express their hopes for the future. In such a union the King of Serbia might become king also of the Triune Kingdom of Croatia-Slavonia-Dalmatia and the Parliament of Agram would deal with the domestic affairs of the Croatia-Serbian provinces, while the Federal Parliament would sit probably at Belgrade. The Slovene districts and Bosnia-Herzegovina would retain their provincial Diets. There are many among the Croat and Slovene leaders who would welcome union with Serbia on almost any terms, believing that when once unity was effected they could, without difficulty, arrange with the Government of Belgrade for such measures of local self-government as they desire.

A union on these lines would protect the

local customs and traditions to which the people are strongly attached, yet would serve to foster and strengthen the growing consciousness of national unity and to build up a genuine national culture. It would give probably the best possible chance for the economic and moral development of the respective peoples, while Serbia, as the predominant partner and the founder of Southern Slav unity, would occupy a position consonant with the aspirations of those who look back proudly and regretfully to her ancient greatness. It is perfectly true that the record of Serbia is very far from impeccable. We must remember, however, that she has had but a little time for self-development since her emergence from the long period of crushing Turkish misrule; and that her task has been complicated by the difficulties of her foreign policy. With a population expanded to some ten or twelve millions, freed from the complications of the Slav problem in her relations with Austria-Hungary, and provided with an outlet to the sea, she would at once be able to devote herself more freely to internal development and would be able to pursue that development under far more favourable political and economic conditions. While it is

true that the advocates for Serbia have often claimed for her a far higher plane of civilisation than she has yet attained, it is wholly unjust to condemn her shortcomings without reference to the obstacles which have retarded her development.

The maintenance of the *status quo* can hardly be considered in the event of an Allied victory. It would leave open precisely those questions which have caused the war. Even the possibility of genuine autonomy within the Empire has been shattered. Ten years ago it might have been acceptable and might have gone far to solve the internal problems of the Austro-Hungarian Government. To-day it would be acceptable neither to Serbia nor to the Slavs within the Empire. It has been suggested that an independent guaranteed kingdom might be created out of the Slav provinces. It is doubtful, however, whether the inhabitants would not be better off as part of a Southern Slav kingdom which would be of sufficient size to carry weight and sufficiently homogeneous for the creation of a true nationality. Such a solution, where an independent national nucleus exists, would seem to present less difficulties and to offer a greater chance of permanence than the creation

of small and weak neutralised States. The Jugoslavia hinted at would be strong enough to be respected, and there seems no reason to fear that it would become a mere puppet of Russia. On the other hand, there is every reason to believe that Russia would welcome the establishment of a vigorous Slav State in Southern Europe, strong and spirited enough to preserve itself from Austrian intrigue.

Here, again, the task of drawing the boundaries is a difficult one. In Croatia-Slavonia and some of the southern counties of Hungary there is no large minority population to create trouble. It appears that the Croats and Serbs do, to-day, genuinely desire union, and the two races are so nearly akin that it should be possible for capable statesmanship to weld them into a nation. The one great obstacle to unity—difference of faith—has been removed by the *Concordat* effected by Serbia with the Vatican, by which religious equality, as between Orthodox and Catholics, has been assured to all Serbian subjects. In Bosnia-Herzegovina the problem is complicated by the presence of a considerable Moslem minority; and it may be noted that under Austrian rule, representation in the local diet is on a religious basis, an arrangement

which might well be followed in the new kingdom.

The province of Carniola, adjoining Croatia-Slavonia, is almost entirely Slovene. The Slovenes, while akin to the Serbs, are less closely connected with them than the Croats. Their national consciousness and political organisation are less highly developed. Nevertheless there is a very considerable amount of evidence that they desire to be included in the Southern Slav kingdom, and if possible it should rest with the people themselves whether they become a part of Jugoslavia or remain within the Austrian frontiers. The more comprehensively the Southern Slav question is treated, the greater is the chance of the solution being permanent, and the less will be the likelihood of its troubling the peace of Europe in the future.

But it is in regard to the coast provinces with their mixed populations, Slav, German, Italian, that the greatest difficulty arises. It would be dangerous and futile to lay down any definite scheme. It is only possible to indicate the three principles on which the settlement must be based if it is not to contain the seed of future troubles. Wherever possible, the wishes of the inhabitants should

form the deciding factor ; there must be provision for the liberties of minority populations ; no State should be artificially debarred from access to the sea.

It is this last condition which is perhaps the most important. The keynote of Austrian policy with regard to Serbia has been the desire to bar her from the Adriatic and so reduce her to economic dependence upon the Austrian markets. If Serbia is to have a fair chance of self-development she must receive, together with Bosnia and Herzegovina, the Dalmatian coast ; and Dalmatia itself—a narrow coast-strip—is of little value without its hinterland. Yet the question is complicated by the claims of Italy. Although only some 3 per cent. of the population of Dalmatia is Italian, many of the towns and islands of the coast were colonies of the old republic of Venice and remain largely Italian in culture. Moreover, Italy has always put forward a claim to predominant interest in the whole of the Adriatic and has recently asserted these claims by her action in Albania. It is possible that some compromise may be arrived at, yet having regard alike to national, geographical, and economic considerations, it is difficult to deny the claims of Serbia and

Montenegro to the whole of the Dalmatian coast. Politically the disappearance of Austria from the eastern shores of the Adriatic would remove all danger to Italy and her economic interests would be best served by the development of Serbian prosperity. It should not be difficult to secure her any guarantees which she might reasonably demand for the protection of her interests. It would be reasonable to ask that the continuance of existing Italian schools and institutions in those sea-coast towns where Italian culture predominates should be guaranteed by the new State. Large powers of municipal self-government might be conceded to the old Venetian colonies of Zara, Sebenico, Trau, Spalato, Lesina, and Curzola, and to the one-time Republic of Ragusa ; and the Italian element might well become an important factor in the development of the provinces, with which the prosperity of these ports is so closely linked. An equitable commercial convention between Italy and Jugoslavia would be beneficial both to the development of the Slav lands and to the trade of Italy. Every effort should be made by a wise statesmanship on both sides to promote good feeling and co-operation between

the two kingdoms which would safeguard the legitimate interests of Italy in the Balkans without interposing an artificial bar to the progress of the Slavs.

Albania.—We have already referred to the action taken by Italy in Albania. The fate of this little State represents one of the most difficult problems of Balkan politics. The Albanians are perhaps the most ancient of the Balkan peoples. They have occupied their wild and mountainous districts since the beginning of recorded history. Their civilisation is of the most rudimentary description, but they have retained their distinctive customs and characteristics, and could not, with any hope of success, be incorporated in any of the existing Balkan kingdoms. In 1912-13, after the first Balkan War, Albania was erected into an independent principality under Prince Wilhelm of Wied, assisted by an International Commission of Control. The experiment has not, however, proved successful. The Albanians did not take kindly to their German ruler, and the southern district of Epirus has already broken off from the principality and united itself to Greece. It is said that this transaction was effected by political

juggling. On the other hand, it is claimed that the Epirotes are united to Greece by economic considerations and that their membership of the Orthodox Church (the majority of the Albanians are Moslems) and the influence of Greek culture incline them to union with the southern kingdom. The greater part of Albania, however, is neither Serbian nor Greek in sympathy. Its chief importance lies in the possession of the seaport of Valona, which holds an important strategical position on the Adriatic. For this reason it has been a cardinal maxim of Italian policy that no other Power can be allowed to acquire a predominant position in Albania, and since the outbreak of the war Italian troops have occupied Valona. There has been a considerable amount of friendly intercourse between Italy and Albania in the past, and during the period of the mixed commission in Macedonia, Italian officers showed considerable gifts for the sympathetic administration of Albanians. It would probably be wise, if possible, to preserve the independence of Albania, but if this should prove impossible owing to the difficulty of organising a stable government, an Italian protectorate would perhaps prove the best solution of the

difficulty, so far as the Albanians themselves were concerned. Whatever is done, however, must be done with due regard for Serbian interests and susceptibilities. The creation of an Italian Gibraltar at Valona, or an unduly forward policy in the delimitation of the frontier, might seriously compromise the good relations between Italy and the Southern Slavs which will be essential to the future peace of the Adriatic.

The little kingdom of *Montenegro*, whose inhabitants are Serbian by race but have a distinct nationality and history of their own, will probably become more and more closely connected with its larger and more powerful ally. It may probably be possible to reward its services by the cession of a useful port (it has strong claims upon Scutari, now included in Albania); but the civilisation of the Montenegrins is too rudimentary to render any great extension of their territory desirable. In free access to the sea and in close economic and political relationships with Serbia will rest the best hope for their future.

The Roumanians.—We have been dealing so far with the Slavonic peoples of Austria-Hungary, and it is the Slav problem which

has been the main preoccupation of Austrian statesmanship and the immediate cause of the present war. There is, however, a large Latin or *quasi*-Latin population in the Dual Monarchy which has also provided an active element of unrest.

We have already mentioned that about one-third of the inhabitants of Bukovina are Roumanians (there are about a quarter of a million of them). The Roumanians of the Dual Monarchy, however, are chiefly to be found in Hungary, where there are some three millions, chiefly in the province of Transylvania. The Roumanians are an interesting race who claim to be descended from the Latin population of the Eastern Empire. After many centuries of invasion and submersion the race must have become very mixed, yet they have clung with singular tenacity to their language, a corruption of Latin, and to their separate nationality. The Roumanian inhabitants of Transylvania have suffered greatly from Magyar oppression ; their language is unrecognised, their education is hindered, their representation in the Austro-Hungarian Parliament has been reduced to insignificance by political gerrymandering and by gross corruption and in-

timidation at elections, and the most constitutional protest is treated as an act of treason. Undoubtedly they look for deliverance from this grinding tyranny to the adjoining independent Kingdom of Roumania. The promises of reform made to them by Hungary since the outbreak of the war are bribes the value of which is shown by the whole course of Magyar rule.

The position of Roumania in Balkan politics has been peculiar. During the Turkish supremacy the principalities of Wallachia and Moldavia enjoyed a certain amount of autonomy. They were united in 1859, and after the war of 1878, in which the Roumanian army gave very efficient assistance to Russia, the new principality became completely independent. In 1881 the Prince took the title of king. The Roumanians, however, were justly dissatisfied with their treatment by the Russian Government, who acquired the province of Bessarabia (containing about a million Roumanians) as a forced exchange for the Dobrudja. The latter district contains a mixed population of Turks, Tartars, Bulgars, and others, and its possession was not coveted by the Roumanian people. Moreover, the reigning house of Roumania is a branch of

the Hohenzollern family. Thus, dynastic ties and jealousy of Russian influence led the Roumanian Government to attach itself rather to the policy of the Triple Alliance than to that of the Slavs. On the other hand, the ill-treatment by the Magyars of their Roumanian subjects led to a strong popular feeling in favour of intervention. In the first Balkan War, Roumania stood aside from the Slav alliance, but the interference of Austria in the peace negotiations alienated the Roumanian Government, and the second Balkan War found Roumania ranging herself on the side of Serbia and Greece. Since then, Roumanian policy has tended to follow the lead of Russia rather than of Austria.

The course of the present war, with the threatened break-up of the Austro-Hungarian Empire, could hardly leave the Roumanians unmoved, and a very strong movement arose in favour of seizing the opportunity to deliver Transylvania from the Magyars. At the moment of writing Roumanian intervention has not taken place, but is a probable event of the next few months.

If it takes place, Roumania will certainly demand the Roumanian districts of Hungary as the price of her support. It is strongly

urged in many quarters that any transfer of these districts should be strictly conditional upon her taking up arms on the side of the Allies. From the point of view of orthodox statecraft, this position is unassailable, and it is supported by a very natural disinclination to pull other people's chestnuts out of the fire. At the same time there is something a little repulsive to British feelings in making an act of justice, involving the happiness of three millions of people, a mere matter of bargaining. From the point of view of the wider statesmanship the expansion of Roumania to her natural limits is undoubtedly desirable. It is the only solution of the Transylvanian question which could be regarded as final. The principle of nationality has taken such deep root and is so closely linked with the ideals of modern democracy, that it cannot be ignored in the settlement without running a grave risk of future unrest and conflict. It would be impossible for Roumania to come without reserve into any South-Eastern League or European Alliance while this question remained unsettled. On the other hand, a compact and homogeneous Roumanian kingdom of ten or twelve millions, which had reached the limits of its natural expansion,

might form a stable and useful member of the European system. On every ground, its settlement is desirable. As a matter of practical politics, it would undoubtedly very much facilitate dealing with the question if Roumania were to intervene, and for that reason many who shrink from the idea of any extension of the conflict yet hope for her intervention ; but that intervention will not affect the abstract justice of the case. It is possible that it might complicate it by leading to the putting forward of excessive demands. The Roumanian population in Hungary is not entirely concentrated, and the forcible transfer of every district in which a Roumanian element could be found would only result in the creation of new difficulties. The question of Bukovina with its Roumanian and Ruthenian elements will no doubt be a matter of arrangement between Roumania and Russia ; but the whole question of frontiers will require a careful and far-sighted statesmanship. Whether it would be possible without violating sound principles to find for Russia any compensation for which she would exchange the Roumanian portions of Bessarabia, may be problematical. There can be no doubt that such a rounding off of

the Roumanian kingdom would beneficially affect the settlement. It would remove the last trace of hostility between Roumania and Russia and would thus get rid finally of an element of disturbance in Balkan politics which might otherwise prove a source of future trouble.

Bulgaria and a Balkan Entente.—While Bulgaria is not a party to the present war, it is obvious that no settlement of the Balkan question can be permanent which fails to take account of Bulgarian claims. The original treaty between the Balkan Allies in 1912 provided for a division of the spoils roughly on national lines; but when the interference of Austria barred the Serbians from the coast, they sought extension to the south-east and came into collision with their ally. The defeat of Bulgaria and the intervention of Roumania resulted in the acquisition by Serbia and Greece of districts in Macedonia to which Bulgaria laid claim, and in the annexation of Bulgarian territory by Roumania.

The blame for the outbreak of the second Balkan War is variously apportioned. Some students of Balkan politics consider that

Bulgaria was unreasonable in standing out for her strict treaty rights in the changed circumstances produced by Austria's interference. Others contend that Serbia and Greece acted ungratefully to the State which had borne the chief part in breaking the power of Turkey. Be this as it may, there can be no doubt of the strength of Bulgarian resentment. It must be remembered that the Bulgarians have no kindred people outside the Balkans. They can expand only within the peninsula, and the question of Macedonia is the main preoccupation of their policy.

The inhabitants of Macedonia are so mixed up together that any attempt to divide the territory on strict ethnic lines would be hopeless. There is little doubt, however, that the political sympathies of the Monastir district, originally allotted to Bulgaria, lean towards that State ; and the majority of the inhabitants belong to the Exarchate Bulgarian Church. It is this district which Bulgaria most keenly desires, and if it could be transferred to them they might relinquish their claims in the middle district which is neither strongly Serb nor Bulgar.

It is believed that the Serbians would not be altogether unwilling, if their expansion to

the north and west could be assured, to make concessions in Macedonia. It is equally probable that Roumania, if she decides to intervene, might be willing to purchase Bulgarian neutrality by retrocession of the annexed territory. It is earnestly to be hoped that any adjustments on these lines which may be arrived at will be facilitated by the Great Powers. Should the Turk be cleared out of Thrace, it would probably be wise to allow Bulgaria to extend her frontiers in this province. Thrace has been frightfully depopulated by the Turkish rule, but it is a district of great possibilities which the hard-working and industrious Bulgars might be trusted to turn to account. The possession of Adrianople, an important railway centre as well as a great fortress, would be both strategically and economically valuable to them, and there does not seem to be any reason why they should not obtain a footing on the Sea of Marmora. So far as racial considerations are concerned, their claim in Thrace is as good as any one's, and geographically it is undoubtedly strong.

One strong consideration which may weigh with Serbia against satisfaction of the Bulgarian claims in Macedonia is the disinclina-

tion to place another boundary between themselves and the great seaport of Salonika, now in Greek territory. This consideration will, however, have less weight if Serbian aspirations on the Adriatic are satisfied, and it would wholly disappear if Salonika could be established as a free port for the whole Balkan hinterland.

The whole question of Bulgarian claims is one which, while it stands a little outside the objects of the war, is a very important factor in the settlement of the Balkans and the future peace of Europe. It may be asked whether Serbia can reasonably be asked in the hour of victory to make concessions to her neighbour ; but the wiser statesmanship would certainly realise that the Balkan problem can never be finally disposed of by an arrangement which leaves any of the States with reasonable grounds of discontent.

It would no doubt be difficult to persuade any Balkan State to make concessions. Their rivalries are too deep-seated for the adjustment of their conflicting claims to be easy. But the majority of them have interests outside the peninsula which can only be secured to them by the consent of the Great Powers. Moreover, they all require money for the

development of their resources ; Serbia (and Roumania if she intervenes) will require money to defray the cost of war, and the Powers which find this money will acquire an influence in the settlement of Balkan questions. No one would wish that the influence of Britain, of France, or of Russia should be used to impose upon the Balkan States an artificial settlement. Such a step would only lead to renewed outbreaks. It is, however, much to be hoped that by mediation between the Balkan governments, by their disinterested advice, and by a legitimate use of such influence as their position gives them, they may be able to assist in effecting a settlement of Balkan affairs which will satisfy all reasonable national and economic aspirations of the various peoples. If this were accomplished, and if the external problems which have so gravely complicated Balkan politics are removed by the expansion of Serbia and Roumania to their natural limits, and the acquisition by Greece of those Greek islands which are still under alien rule, there would be a better opportunity for internal development and for co-operation between the peoples than has ever yet been given them. It is hardly fair to judge of the political

capacity of the Balkan nations from the brief and troubled period which has elapsed since their emergence from the crushing and demoralising Turkish rule. An equitable settlement might well lay the foundation of a future Balkan League which should include all the States and might in time be accompanied by some fiscal arrangement in the nature of a Zollverein. Such a result would not only bring to these lands a peace and prosperity to which they have long been strangers, but would remove the most dangerous of the storm-centres which have troubled the peace of Europe.

Constantinople.—When the Turkish Government allowed themselves to be dragged by Germany into a war with which they were not concerned, they probably sealed the doom of the Turk in Europe. It has already been suggested that Bulgaria might well receive an extension of territory in Thrace and that Greece should acquire the remaining Greek islands. The outstanding question, however, is that of Constantinople.

The importance of Constantinople as the doorway between East and West, which at one time made it a seat of Empire, has

greatly diminished with the multiplication of communications. It still remains, however, a position of considerable commercial and strategical importance. To Great Britain its importance has always been that in Russian hands it would afford an outlet for the Black Sea Fleet upon the flank of our nearest route to India. We fought the Crimean War, we risked war in 1878, to retain it in Turkish hands. We have always attached immense value to the Conventions by which the Dardanelles are closed to warships, except with Turkish permission.

There was here a real conflict of interest ; but since strategy is but the instrument of policy, it would seem that where strategical and political considerations clash, the latter must decide. A strategical advantage may be dearly purchased at the expense of a policy of artificial restriction which renders cordial co-operation between two nations impossible. The ideal solution might be for Constantinople to become a free port and city under international control. The working of such control, however, is never free from difficulty, and if Russia, whose desire for an ice-free port has been the keynote to her policy of expansion in Europe, desires the

city, it is at least doubtful whether we should be wise to oppose her wish. It would certainly be better for the peace of Europe that she should gain her point here than by the annexation of Baltic provinces of a purely German character. It should be possible to secure, by treaty with Russia, such arrangements for trade and navigation as would safeguard our economic interests. It may even be a question whether Constantinople might not become a free port under the Russian flag, the Dardanelles being neutralised and the fortifications demolished.

Geographical considerations would, of course, indicate the acquisition of the city by one of the Balkan States, or its control by a revived Balkan League. But, even apart from the question of Russian claims, there is no Balkan State whose resources would be equal to the task of administering the great city and its commerce, and even the Balkan League (itself a dream of the future) might hardly prove a capable guardian of such vast interests. It is not to be supposed that the acquisition of the city by Russia would be popular in the Balkans, yet each Balkan State would probably prefer to see it in Russia's hands than in those of any other

member of their own group, and the substitution of Russian for Turkish administration would almost certainly give an immense impetus to Mediterranean trade.

Turning from the problems of the Near East, we come to those presented by the relations of Austria and Italy.

The Trentino and Trieste.—When Italy secured at once her national unity and her freedom from Austrian domination, the great province of Venetia was left under the Austrian yoke. In 1866, when Italy joined Prussia against Austria, she recovered Venetia, thanks to the victory of Prussia; but her own arms were unsuccessful both by land and by sea, and she was forced by Bismarck to accept a settlement which fell short of full satisfaction of her claims. There are to-day about three-quarters of a million Italians in the Austrian territories. The greater part of these are to be found in the Trentino (a district of the Austrian Tyrol) and in the great seaport of Trieste. Others are to be found scattered among the sea-coast towns and islands of Istria and Dalmatia

Their position is altogether different from

that of the Italian population in South-Eastern Switzerland. The latter have become incorporated into the Swiss nation and have no desire to exchange their Swiss nationality for union with Italy. The Italians of the Tyrol, on the other hand, have never been assimilated by Austria. The oppressive nature of Austrian rule in Italy is bitterly remembered by all patriotic Italians, and although the Austrian fleet which won the victory of Lissa was manned largely by Italians of the coast, their loyalty was mainly due to the personal ascendancy of Tegetthoff. There is to-day much unrest and much allegation of misgovernment among the Italian subjects of Austria, and in Italy there is a strong party to whom all this territory is known as *Italia irredenta*, or unredeemed Italy, and who look forward to an opportunity of securing its deliverance.

The foreign policy of the newly formed Kingdom of Italy was necessarily opportunist. There was friction with France, and the Italian Government depended largely upon Germany for support. Hence it was led in 1881 to join the Triple Alliance, which gave Italy a strong position but imposed upon her an armament expenditure which she was ill able

to bear, and opposed a barrier to the hopes of the *irredentist* party. In recent years the Alliance has become less popular. The differences with France have been composed and the Austrian policy in the Balkans has filled the Italian Government with alarm for their position in the Adriatic. Moreover, both the interests and the sympathies of Italians would lead them to support Great Britain rather than Germany in the Anglo-German conflict. There was, therefore, no very great surprise felt when Italy at the outset of the war declined to recognise the *casus belli* as one which would necessitate her taking up arms on the side of Germany and Austria. The *irredentist* party have, of course, seen their opportunity in the war, and strong pressure has been put upon the Italian Government to intervene on the side of the Allies, in the hope of recovering the Trentino and Trieste. Writers in British newspapers have taken upon themselves to assure the Italians that this object can only be obtained by their intervention. The military importance of that intervention would be unquestionable, but it is open to question whether there are not also advantages for the Allies in the maintenance of Italian neutrality. It is possible that Italy

might render services at the end of the war, as the one great neutral Power in Europe, which would be of very great value. In any case the Italian Government will be guided in its action by considerations of Italian interests. Whether Italy enters upon the war or not, however, her sympathetic support will certainly be obtained for any scheme of settlement based upon that principle of nationality to which she owes her own existence. It is at least arguable that whether she remains neutral or becomes a belligerent, the question of *Italia irredenta* should be settled upon national lines, both as a matter of justice and in order to get rid of a possible cause of future conflict.

With regard to the Trentino no great difficulties of boundary-drawing would be presented. The cases of the Dalmatian seaports and of Trieste are rather more complicated. We have seen already that whatever claim Italy may base on historical associations, the overwhelming majority of the inhabitants of Dalmatia are Serbo-Croat, and that not only national but geographical and economic considerations suggest that the natural fate of the province is union with an enlarged Serbia. Italy will be fully entitled

to demand guarantees for the good treatment of the Italian inhabitants and for the protection of her commercial interests, on the lines already suggested ; but beyond this it is very much to be hoped that she will not go. It would seem indeed that both the political and commercial interests of Italy would best be served by the cultivation of friendly relations with Jugoslavia. Should the work of re-construction in the Balkans result eventually in the establishment of a Balkan League and Zollverein, this consideration would be greatly strengthened, and the friendship between Italy and Roumania would facilitate the growth of such relations. If the Italian claims are made the subject of frank discussion and friendly agreement, it should be possible to satisfy every reasonable aspiration of the Italian people without doing injury to those of the Balkan nations ; and if the Italian Government felt that any sacrifice was involved, it might be possible to find compensation for them by conceding their right to spheres of influence in Africa or Asia Minor. In any such arrangement the claims of Greece to Greek islands now occupied by Italy should be included.

The question of Trieste is one of some

difficulty. The town has been under Austrian rule since 1386, but the inhabitants are Italian both in speech and feeling. On the other hand, the Coastland province in which it is situated is inhabited, outside the city, by Slovenes and Serbo-Croats. Moreover, Trieste is the one great port of Austria, the outlet for the trade of all its German-speaking provinces. Again, the town of Pola at the southern extremity of the Istrian peninsula is the one naval arsenal and port of the Austrian Empire, and the loss of Istria would mean the automatic disappearance of the Austrian Navy. This in itself would have the result of greatly simplifying the position in the Mediterranean and might lead directly to a great reduction of armaments on the part of Italy and France. It is unthinkable, however, that Austria should consent to the alienation of Istria unless she were reduced to the last extremity. The question is one of those on which it is particularly futile to dogmatise, but if it becomes practicable to deal with it at all, a permanent and peaceful settlement can only be secured by taking into full consideration the racial claims of the Southern Slavs, the national aspirations of Italy, and the economic relations between

Trieste and the hinterland. To include the port within the Italian tariff system would not only be to cut off Austria from the sea but to ruin the trade of Trieste itself. The ideal solution would appear to be its erection into the rank of a free commercial port, either purely self-governing or under the Italian flag, but in no case shut off from those commercial interests in Austria and Bohemia with which it is connected by vital necessities.

These considerations will also have to be taken into account in deciding the fate of the Slovene districts by which Trieste is surrounded. If the Slovenes of Carniola are included in the new Yugoslavia, the Slovenes of Istria may desire to follow their example. If Trieste remains Austrian, it will be impossible to insist upon frontier arrangements which would interpose a stretch of Slav territory between the port and the remainder of the Empire. If Trieste goes to Italy, or becomes a free port, this difficulty would be removed, but it would be necessary to make such stipulations with regard to transit and tariffs as would leave unimpaired communication between the port and the provinces for which it forms the outlet.

We have dealt now with all those territorial

questions which concern the provinces of the Austro-Hungarian Empire. There remain the two purely German problems of Alsace-Lorraine and Schleswig-Holstein.

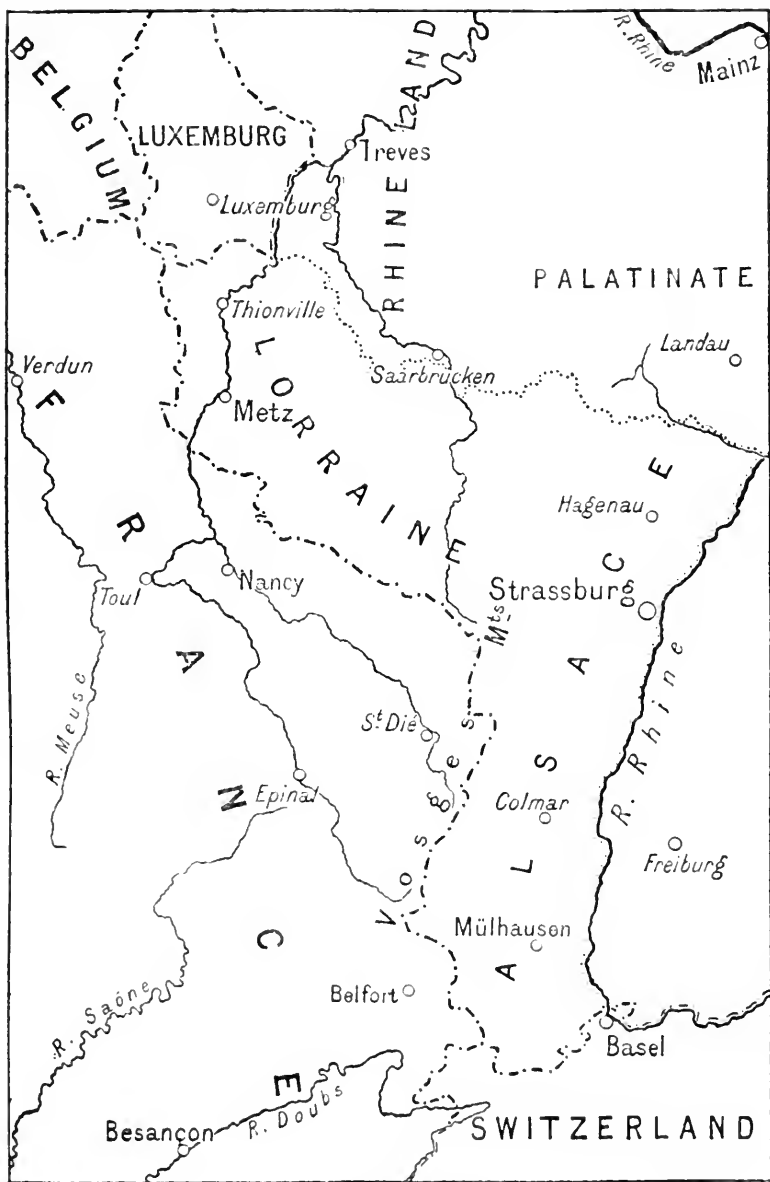
Alsace-Lorraine has been for many years one of the storm-centres of Europe. Into the detailed history of these provinces it is not necessary to enter. This is one of the cases in which the historical and ethnographical student is apt to lose himself amongst complexities which obscure the essential facts of the situation. The politics of the Franks have not much bearing upon those of to-day. In point of fact these provinces were for centuries a debatable ground between France and the Empire. Alsace was acquired by Louis XIV during the Thirty Years' War as the result of conquest pure and simple, while Lorraine finally became French in the time of his successor.

Long association with France, however, rendered the people mainly French in institutions and sympathy. They passed with France through the crisis of the French Revolution with its great resurrection of national feeling, and enthusiastically accepted their share in the new national ideal. Al-

though mainly Teutonic in origin and German in speech, the inhabitants of Alsace-Lorraine at the time of their annexation to Germany in 1871 formed an integral part of the French nation. There is no shadow of doubt that the annexation was opposed to the wishes of the majority of the people. In fact, although the annexation was defended on historical and racial grounds, its real motive was one of strategy. The movement towards German unity was due in the main to fear of French aggression, and the advocates of annexation could point to the fact that Alsace and Lorraine had been used as a back door into Germany by French diplomats and armies. To the minds of the German soldiers, the one thing needful was to secure for themselves the line of the Rhine and the great fortresses of Strassburg and Metz.

Notwithstanding the resentment felt by the people of the provinces, it would seem that the Germans had a great opportunity, once the annexation had become a *fait accompli*, to win over a population the majority of whom were allied to themselves in race and language. It is quite possible that a wise and sympathetic policy towards them might in time have brought the Alsatians

and Lorrainers to acquiesce in their incorporation and accept their position as members of the great German nation. The administration of the provinces by Germany has in fact been singularly unsuccessful. Prussian officialism is intolerant and unsympathetic, and the rule of Germany in Alsace-Lorraine has been that of a conqueror. The Alsatian question had become yearly more acute, and it became more and more evident that the discontent of the people could only be cured by a grant of local autonomy. Among the inhabitants themselves, and also among many Frenchmen, the idea sprang up that the best hope of final solution lay in the neutralisation of the provinces. With the outbreak of war, however, the old hope of their complete recovery by France has been revived, and it has been declared by the French Premier to form one of the objects for which France is fighting. On this question France will naturally expect to speak the deciding word ; but it is permissible to hope that in the interests of European peace, the wishes of the inhabitants may in some way be consulted, possibly by plébiscite. A restoration of the provinces by vote of the people would be at once of happier augury for France and less provoca-



ALSACE-LORRAINE.

tive of future conflict than mere reconquest. It might even be possible by sectional plébiscite or otherwise to leave to Germany those districts in which the sympathies of the people are overwhelmingly German, and it is hardly possible in this connection to ignore the fact that some 300,000 emigrants from Germany have come into the provinces since 1871. The suggestion of neutralisation is attractive enough, involving the complete separation of the Franco-German frontiers by a belt of neutral territory—Belgium, Luxemburg, Alsace-Lorraine—but the creation of neutral zones of this kind is not without difficulties and even dangers, even supposing France would consent to it. The proposal that Luxemburg and Alsace-Lorraine should be incorporated in the Belgian kingdom is one not likely to be received with any enthusiasm by the Belgians themselves. It would at once greatly add to their responsibilities and introduce the complication of alien elements into the development of their national life and culture. A federal union of the neutralised States with Belgium would have more chance of success. Yet it may be questioned if it would be accepted as a final solution by any of the peoples concerned.

Territorial Compensation to Belgium.—The whole question of territorial compensation to Belgium demands a word. It will be obvious at once that unless we accept the Prussian or Austrian theory of the value of domination, the annexation of territory is not a form of compensation which a liberty-loving people is likely to desire. The proposal to enlarge the Belgian frontiers at the expense of Germany involves a violation of the national principle which would create for Belgium all the difficulties and dangers which beset a State ruling alien populations by force. It would involve not only Belgium but Europe in the practical certainty of a renewed conflict as soon as Germany felt herself strong enough to attempt reconquest. Even were the supposed material gain of such an extension of territory not illusory (a point to which reference will be made in a later chapter), we should do well to consider whether some form of compensation cannot be found less dangerous to Belgium herself and to the peace of Europe.

Schleswig-Holstein.—The question of Schleswig-Holstein is sometimes misunderstood. People write and speak as if the Duchies were

purely Danish territory which had been unwillingly and violently torn from Denmark. As a matter of fact, although the Duchies were ruled by a member of the Danish Royal House, they were mainly German in population, and the attempts to incorporate them completely with Denmark led to continual friction, ending in 1849 in an armed rising. The annexation of the Duchies by Prussia after the wars of 1864 and 1866 was attended by a great deal of shady diplomacy, but a complete restoration of the Duchies to Denmark would certainly not be in accordance with the principle of nationality or the wishes of the people.

The Danish-speaking inhabitants, who number about 140,000 out of a population of a million and a half, are concentrated in the north of Schleswig, and in 1864 there was a promise—never carried out—of a plébiscite of these districts. If this question, which is not at issue in the present war, is dealt with at all in the settlement, it would be sufficient for this old promise to be carried out.

It has been suggested in some quarters that Danish territory should be extended southward far enough to include both banks of the Kiel Canal. Such extension would be



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SCHLESWIG-HOLSTEIN.

a very doubtful blessing either to Denmark or to Europe. It would involve for Denmark the creation of very awkward and formidable problems and the constant fear of German invasion. Apart from the fact that such an arrangement would conflict with that principle of nationality upon which the Allies have laid so much stress, it is one which could be maintained only at the expense of greatly increased risk of conflict and constant readiness for war. The neutralisation of the Canal would be a much less objectionable alternative, but the possibility of attaining it will depend largely upon the general position after the war.

The Position of Austria-Hungary after the War.—If the principle which we have taken as an hypothesis be true, it is evident that it must apply to the nations against whom we are fighting. It is possible, of course, that whatever may happen to their Slav and Latin provinces, Austria and Hungary may wish to remain united. On the other hand, there are signs that the bond between them may very possibly be snapped by the strain of war. In that case the Germans of Austria may desire to enter into union with their

kinsmen of the German Empire. There are some observers who believe that the Southern Germans will have grown tired of the Prussian hegemony and that they may wish to form a South German Confederation into which Austria would enter. All this is pure speculation, but it is desirable to bear in mind that if any such movement is attempted it will be the affair of the Germans and Austrians themselves. If we attempt to restrict their development by artificial limitations we shall be adopting the policy which they themselves have pursued and we shall be obliged to accept the militarisation of our own political system as the price of our interference.

In point of fact, a closer connection between the Austrian Germans and those of Germany is a contingency which the other nations of Europe have no reason to dread. Released from the influence of their bond to the Magyar oligarchy and from their Slavonic complications, the Austrians would form an element tending to balance the influence of Prussia amongst the German peoples, and the results might be beneficial both to Germany and to Europe.

It is just worthy of mention that should the bond between Austria and Hungary be

broken the position of Hungary will be one of some difficulty. No one who has studied Hungarian history would wish for the political extinction of that brilliant people, or would envy the Power which attempted to achieve it. Stripped of their subject provinces and unable to tyrannise over others, the Magyars would remain a distinctive and picturesque member of the European family. With no alliance to any neighbouring people in race, in language, or in culture, their independence might perhaps be secured by a general guarantee of the Powers.

It must not be forgotten that the loss of Croatia-Slavonia would deprive Hungary of its only seaport—Fiume. This is another case in which it might be desirable to establish a free port, or to provide facilities which would prevent the normal course of commerce from being interrupted by attempts to bar an inland State from access to the sea.

In all the cases which we have been considering it will be observed that the problem has been created by the operation of a policy of domination, by the exercise of an alien rule without regard to the nationality or the desires of the governed. In general, the

working of this principle has had two results : it has created a centre of disaffection which has hindered the internal progress of the State, and it has involved complications of foreign policy creating continued friction and the constant possibility of war. It has rendered impossible any idea of a general European *entente* or alliance, by making it impossible for the nations concerned to acquiesce in a guarantee of the *status quo*. If such an *entente* is to be a possibility of the future and if there is to be any chance of the peace which we make becoming permanent, the settlement must be based upon a radically different principle. If we insist upon any partition based upon merely strategic considerations or upon the right of conquest, we must at the same time accept all the risks involved in a perpetuation of the system which has involved us in the present struggle, and we must look forward to no effort of international co-operation wider than that comprised in temporary alliances formed for the promotion of particular interests or for off-setting the power of another group. It is essential that we should realise this fact if we are to see the situation clearly. The point of view of those who believe war to be

inevitable and refuse to entertain any hope of this being the last great European conflict is perfectly intelligible and consistent. If we accept that view we shall be justified in restricting our efforts at the peace to the securing of such strategic advantages and the cementing of such alliances as shall be of most avail in a renewal of the struggle. But it is worth while to consider whether this war was not rendered inevitable by certain definite errors of policy which might have been avoided by greater wisdom on the part of European statesmen during the past hundred years ; and whether the adoption of a different policy might not prevent war from becoming inevitable in the future. What we must *not* do is to talk of this as " a struggle against militarism," the " war to end war," and then repeat the mistakes which have brought about the war.

It is likely enough that in any case it will prove impossible to deal with all the questions which have been mentioned or to secure an ideal solution of all those which are actually raised. What is important, if we look to a better condition of things in Europe, is that we should be clear in our own minds as to the desirability of applying them wher-

ever possible. If we do that and if these principles are once put into action, it should be possible in the years to come to apply them gradually to the settlement of any problems which the peace leaves unsolved.

We must not imagine that the application of these principles will be easy. It seems simple enough to talk of consulting the wishes of the population in provinces to be transferred. But it is not so easy to ascertain those wishes. The taking of a plébiscite is not an easy matter, especially among the less settled peoples. It will not always be easy to see that it is impartially taken, that the issues are put fairly before the people, that no intimidation or bribery interferes with the voting. In many cases it would be essential for the whole operation to be carried out by the representatives of an impartial Power ; it might even necessitate a temporary occupation by such Power of the territory in question. There are, however, other methods of estimating national feeling. Race, religion, language, history, economic relationships, the known tendencies of the Press, of political organisations and leaders, may all be important factors in arriving at a decision. But to apply these tests, to decide in a given

case whether a plébiscite is possible, or if not, upon what evidence an estimate shall be formed, requires first-hand knowledge as well as strict impartiality.

The question of guarantees for minority populations is another difficulty, which has already been touched upon in several cases. There will generally be a tendency for scattered members of any nationality to drift towards the independent mass; but many minorities will remain, and where a new State is set up or provinces transferred, it should be possible to make some provision for their interests, by a guarantee of equal rights and the preservation of existing institutions.

It is by reason of such difficulties as these that the laying down of a fixed programme by any theorists, however able, bears so strong a stamp of unreality. It is not, however, the method which is of supreme importance, but the principle. If the principle is once frankly accepted, European statesmanship should be equal to the task of carrying it out. If the efforts of statecraft and diplomacy were unequal to the task of preventing the present war, it was not through lack of ability, but because of the principles on which they were based. If the Allies are victorious

they will have such an opportunity as has never been presented before to secure an attempt at removing the most serious causes of European unrest. By availing themselves of this opportunity in the teeth of all difficulties, by facing these difficulties at once with the sympathetic insight of those to whom national ideals and aspirations are dear and with the practical wisdom of the level-headed statesman, they will serve their own most vital interests and will earn the gratitude of the civilised world.

CHAPTER V

COLONIAL QUESTIONS IN THE SETTLEMENT

WHEN we turn from the European territories of the belligerent Powers to German possessions and spheres of influence in other continents, the principle of nationality has no longer any very direct bearing on the question. The colonial empire of Germany amounts to rather more than a million square miles, but its white population is well under 30,000. The natives, who form the immense majority of the inhabitants, cannot be supposed to have any sentiment of German nationality. Their interests are concerned simply with good administration, the maintenance of order, the improvement of their conditions of life, and respect for their tribal and religious institutions. Nationality in the European sense does not enter into the matter. The one vital consideration which may modify the policy of the Allies is that of avoiding as far as possible occasions of

future conflict and the creation of obstacles to the future unity of Europe.

In all previous wars since the period of colonial expansion began in the sixteenth century, the colonies of the vanquished have been regarded as the legitimate spoils of the victor. They were more easily occupied and assimilated than were any portions of his home territory; and their loss, however keenly felt, left a less burning desire for recovery and revenge. In days when the colonial policy of all nations was exclusive, the only country which could profit largely from the development of a colony's resources was that which administered it politically; and the acquisition of sovereignty was of actual commercial value. It may be doubted how far this policy of exclusion and monopoly was a wise one, even in times when the economic interdependence of nations was in its infancy. It was, however, a universal condition which practical statesmen had to face; and the only means whereby the people of any State could draw large profits from the trade of a colony was for the State to acquire sovereignty over it.

To-day these conditions have to a great extent vanished. The policy of exploitation

has proved impossible under modern conditions ; and in order to render a colony prosperous it has been found necessary to allow its economic development to follow natural lines. The success of the British colonial system has been due to the complete freedom given to the British Overseas Dominions in the development of their institutions and commerce, while the collapse of the great Spanish Empire was due to a persistent attempt to regulate the trade of the colonies for the exclusive benefit of the mother-country.

The strength of the British Empire to-day, the value of the Dominions as customers and producers, their contributions to the development of British civilisation and their assistance in war, are due to three things.

In the first place, the British people may fairly claim to be born colonisers. They have emigrated in millions to the Overseas Dominions and have shown a remarkable ability not merely to develop their resources, but to build up great communities whose civilisation has developed along British lines, though marked by strong distinctive characteristics.

In the second place, the British colonial

policy has been more and more based on non-interference with natural development. The Empire to-day is in fact a confederation of independent nations between whom the use of force has been wholly abandoned as an instrument of policy and whose relations are based solely upon mutual consent.

In the third place, it is fair to point out that the national genius for colonisation has been developed under circumstances of peculiar advantage, owing to the fact that Great Britain, as an insular and naval power, was first in the field. The beginning of the nineteenth century saw the British race already established in those lands which were most suitable for colonisation by Europeans. To-day a German Canada or Australia is unthinkable. A population of several millions of highly civilised people with firmly settled institutions cannot be wiped out or expropriated, even if the stupendous difficulties of military occupation could be overcome. At the same time, the reproaches heaped upon Great Britain as a land-grabber and a pirate are in the main unjust. The growth of her Empire has been along lines of natural expansion and the development of its resources has benefited the world at large. The British

Dominions, in fact, form markets and fields of emigration for all nations.

When Germany, in the early 'eighties, first turned her thoughts to colonial expansion, the only considerable fields which seemed to be open to her were in Africa. At that time all the Great Powers were busy staking out claims in the newly discovered regions of the Dark Continent. German explorers had played an important part in opening up the unknown territories and the German people were eager not to be left out of the division. It is very much to be regretted that no sincere attempt was made by the various Powers concerned to come to a reasonable and equitable understanding as to their spheres of influence. We are apt to forget how near Great Britain and France came to the brink of war over the question of obscure African boundaries. We have not perhaps realised how salutary a lesson is conveyed by the ease with which those questions were adjusted as soon as they were approached with goodwill on both sides. The same sort of friction arose between Germany and Great Britain. The Germans regarded the British as land-grabbers who desired to retain a monopoly of colonial expansion ; and in order to circumvent their

presumed opposition, resorted to some rather shabby trickery in founding their claims. The British, on the other hand, showed an unfortunate tendency to consider that their establishment in any particular district gave them the right to set up a claim to exclusive control of the whole surrounding country. "The result," to use the words of Mr. Evans Lewin, "was an unfortunate and undignified scramble for territory, marked with considerable ill-feeling on both sides, which led to a series of misunderstandings and incidents that might have been avoided if the initial steps had been less open to misconstruction. In the founding of colonies there must inevitably be clashing of interests, especially when other nations have acquired or are seeking to acquire territories in the neighbourhood. True statesmanship consists in the reconciliation of these divergent interests and in the conciliation of conflicting claims and apparently irreconcilable desires."¹ One can hardly avoid the reflection that it is not only in Africa that the general adoption of this view of statecraft might have saved the nations from catastrophe.

However, at the cost of considerable fric-

¹ *The Germans in Africa* (Oxford Pamphlets), p. 14.

tion both with the British and the French, the Germans did acquire, between 1884 and 1890, four considerable African colonies—Togoland, Kamerun, German South-West Africa, and German East Africa. During the same period they hoisted their flag over a number of Pacific archipelagoes and a portion of the great island of New Guinea. To these a couple of Samoan Islands were added in 1899 as the result of an agreement with Great Britain and America. In 1897 the territory of Kiau-chau was acquired from China as an indemnity for the murder of two German missionaries. The total area of this Overseas Empire amounts to about 1,100,000 square miles. The white population (inclusive of troops) is a little under 30,000, of whom nearly 15,000 are in German South-West Africa. The native population is about thirteen millions. The expenditure upon the colonies for 1913 was estimated, in round figures, at £7,450,000, of which about £5,340,000 was to be met by subventions from the Imperial Government and the remainder to be raised locally. The total exports from Germany to her colonies in 1912 amounted to £2,865,000. Imports from the colonies, £2,645,000.

From these figures it will be seen that the German colonies have not been successful in attracting German immigrants. German emigration, which has decreased in recent years, has always tended to go rather to countries already settled, especially to the United States, South America, and the British Dominions, where Germans form important elements of the population. Although lost in this way to the German flag, there can be no doubt that their presence has opened up excellent fields for German trade and finance, and it is in these countries that the real overseas interests of Germany are to be found. The colonies, as will be seen, do not yet pay their way, and their trade with the mother country forms a relatively negligible proportion of German commerce.

Generally speaking, the German colonial policy has been a liberal one. They have done much for exploration and scientific knowledge, have created excellent communications, and have held the door open to foreign trade and capital. It is obvious that so long as this policy is pursued, it is to the advantage of the world generally that tropical countries should be opened up, their products rendered accessible, and their markets deve-

loped, no matter who performs the task of keeping order. Great Britain has already on her hands a sufficient task in consolidating the resources of her wide Empire, and it is to her interest that a share of the work should be performed by nations animated by a liberal colonial policy. There was thus no particular reason why she should covet the German possessions and it is conceivable that it would suit her better that Germany should continue to bear the burden and expense of their development. To use the words of Mr. H. S. Egerton :

Whoever knows anything of the British Empire of to-day knows that what occupies the minds and energies of statesmen and administrators is not the question of its increase, but of its development. Halfpenny newspapers may talk cheerfully of adding by a stroke of the pen German South-West and East Africa to the Empire ; but the responsible officials who know the difficulties in the way may be less ready to welcome a new burden of responsibility.¹

A good deal is said about the value of tropical colonies as "storehouses" of raw material which will become increasingly valuable to the manufacturing nations of Europe, but the notion that by annexing them we

¹ *The War and the British Dominions* (Oxford Pamphlets), pp. 21-2.

should become possessed of this raw material overlooks the fact that access to their products is not dependent upon political control, and that annexation would not relieve British manufacturers from the necessity of paying for the supplies drawn from them. The point will be referred to again when we come to deal with the economic aspects of the settlement, but it may be said at once that there is very little foundation for the idea that political control of a "plantation" colony can profitably be used to divert its products exclusively to the home markets of the controlling country.

Apart from the presumed value of the German colonies themselves, it may be suggested that in some cases their transfer to the British flag would facilitate the development of colonies already established, as, for instance, by enabling railways to be constructed which would link up existing systems, or by bringing under the same control seaports and the hinterland for which they are the natural outlet. In such cases, however, it is obvious that the advantages proposed will generally be reciprocal and that the inclusion in the treaty of peace of clauses for railway or tariff concessions, or a simple agreement between

the Colonial Offices of the two Empires, would effect a solution of these questions to the benefit of both parties.

The German colonies are not, generally speaking, districts in which a great white community can be expected to grow up, and they thus lack the importance of the British self-governing Dominions as sources of strength in war. On the other hand, they possess ports which form valuable coaling stations or naval bases, situated in many cases at important strategic points. It is an obvious advantage, both in the attack and the defence of commerce and colonial possessions, to possess the greatest possible number of such bases and to restrict the number of those possessed by a prospective opponent. The introduction of wireless telegraphy has greatly increased the utility of such bases by enabling them to be used for transmitting news and orders from the home capital and directing operations over a great expanse of sea. Upon this whole question generally there are two words to say. In the first place, it is a question of strategy pure and simple, and is subject to the considerations already pointed out with respect to strategical advantages in general. It is necessary to consider each

individual case on its merits and to weigh its probable advantage in war against any additional risk of war which its acquisition may involve. It must be remembered in this connection that any apparent attempt on the part of Britain to assert an aggressive sovereignty of the seas will be watched jealously by Powers other than her immediate opponents. It is only just, however, to observe, in the second place, that the preponderant maritime interests of Great Britain and the scattered nature of her vast Empire give her a peculiar interest in the question—especially where the base is situated upon the main routes of her trade or in close proximity to the ports of her Overseas Dominions. On the other hand, such bases, unless very strongly fortified, usually fall into the hands of the superior naval Power during the first few weeks of war.

As a matter of fact, every colonial possession of Germany has already been attacked and some of them have fallen into the hands of the Allies. These operations formed a natural part of the general strategical scheme. Apart from any other motive, it was desirable to restrict as far as possible the number of harbours and bases available for

the German cruisers. Moreover, it has been the invariable practice of Great Britain to use her maritime power in war for the capture of her enemy's colonies, which even if it were not desired to retain them, formed useful counters wherewith to bargain at the settlement. Whether colonies occupied by the British forces should be retained, or should be restored to the original holder in exchange for other concessions, has depended upon the circumstances of the peace and the aims of British policy in the war.

In the present case the position is complicated by the fact that the capture of the German colonies has in several cases been entrusted to the forces of the British Overseas Dominions. In these cases, the Dominions will certainly expect, and will be entitled to demand, a voice in the settlement. The declarations of British Ministers that we have not entered upon the war for the purpose of territorial aggrandisement can hardly be taken, in any case, as a definite pledge to refrain from the annexation of such of Germany's colonial possessions as the fortunes of war may put into our hands; and even if the British Government desired to emphasise its disinterestedness by carrying

out such a policy, it could not impose its views upon the self-governing Dominions in cases where their interests were concerned and where the capture had been effected by their forces. We may be sure, however, that the Governments of the Dominions will co-operate loyally in the carrying out of the general policy of the Empire and of the Allies and that they will oppose no unreasonable obstacle to such a settlement as may offer the best chance of peace for the world. Their position was admirably expressed by Mr. Allen, the New Zealand Minister of Defence, with reference to the expedition to Samoa :

The future of the island is an Imperial question, in which, however, New Zealand might have something to say. The Imperial authorities might be able to utilise the island, but that was for the Imperial statesmen to decide. We have simply done our duty as part of the Empire in carrying out the task allotted to us.¹

Having glanced at the leading general principles affecting the question of the German overseas possessions, we may proceed very briefly to consider separately the various colonies involved. It will not be necessary, in dealing with them, to go over the ground already traversed, but it is well that we should

¹ Reported in *Times*, October 22, 1914.

acquaint ourselves with the actual problems which will be set before us and with any special local conditions which may modify the considerations discussed. The general bearing of these considerations upon the definite case of each colony will be obvious without being repeatedly laboured. We shall deal first with the important group of German colonies situated in Africa.

Togoland, the smallest of the German colonies in Africa, is in some respects the most successful. It comprises some 33,700 square miles, wedged in between the British Gold Coast Colony and the French possession of Dahomey. As in the French and British East African colonies, the climate of the coast is unhealthy for Europeans. It is not surprising, therefore, that while the native population amounts to about 1,000,000, the European settlers number only some 368 (320 Germans). The colony produces palm oil and kernels, cotton, rubber, cocoa, and tobacco, the imports being a little over and the exports a little under £500,000. It has been excellently administered by the Germans; the roads are models; the natives are contented and prosperous. Alone among Ger-

man colonies it pays its way without the aid of an Imperial subvention. The colony, whose capital fell to a British force in August 1914, is undoubtedly a legitimate prize of war according to generally received ideas ; but it is by no means certain that British interests would not be served by the continuance of its present administration, while the loss of their most successful colony would certainly be a bitter blow to the German people. It may be said that we have no particular call to consider the feelings of our enemies ; but as a friend of the writer remarked in discussing this question, " It's no good sitting on the safety valve when the boiler is at bursting-point." Even if we regard German colonial expansion as partly artificial, it might prove in the long run a dangerous policy to aim at its entire repression.

Kamerun, which lies between Nigeria and French Congo, is a plantation colony of much larger size. Its area is nearly 300,000 square miles, including a large district ceded by France in 1911 as a compensation for concessions in Morocco, and the native inhabitants are estimated at some three and a half millions. The whites do not number more

than about 1,870, of whom over 1,600 are Germans. Producing cocoa, rubber, timber, ivory, and palm-oil, its exports amount to about a million pounds annually, and the imports in 1912 exceeded a million and a half. Cattle-rearing is carried on in the interior. The expenditure shows an excess over the local revenue of some £300,000, which is met by a subsidy from the Imperial treasury. The railway and telegraph systems are at present in their infancy. The natives are said to be less contented than those of Togoland, and it is suggested that some of them look back regretfully to the days when the British flag flew over part of the coast-line. The reduction of the Colony is being undertaken by a joint Anglo-French force, and its fate will be a matter for discussion between the two Governments. Apart from the possibility of giving effect to the wishes of such of the inhabitants as genuinely desire British rule, it may be doubted whether we have any great interest in undertaking the administration of this vast and largely undeveloped area, and the same remark applies to the position of France.

German South-West Africa lies farther south,



THE GERMAN COLONIES IN AFRICA.

between the Portuguese colony of Angola and British South Africa. It is a large but sparsely populated district of over 322,000 square miles, with a sterile coast, but possessing agricultural and pastoral districts the climate of which, very similar to that of Bechuanaland, is suitable for European settlement. In fact, there are over 12,000 Germans in the colony, besides some 2,500 of other white races. Its record is stained by the treatment of the natives, the Herrero war having resulted in a reduction of the native population by two-thirds. The present figures are generally estimated at about 80,000.

The chief industry is the raising of livestock, but copper is mined and diamonds have been found near Luderitz Bay. The exports in 1912 amounted to nearly £2,000,000, and the imports to about £1,600,000. The expenditure has to be met mainly by an Imperial contribution of some two and a half million pounds.

The question of German South-West Africa is complicated by its position with regard to the South African Union. At an early period of German colonisation there was a party in Germany who looked to the development of German influence, and finally of German rule, throughout the whole of Dutch South

Africa. They regarded the Afrikanders as a Low German race who would welcome union with Germany, and undoubtedly German diplomacy has played a considerable part in South African politics. Attempts to establish themselves at Delagoa Bay in Portuguese East Africa and at other points on the East Coast were frustrated ; but there has existed a strong suspicion that the railway development of German West Africa has not been without its strategical side. In point of fact, it was on support from German West Africa that the rebellion under Maritz, during the present war, relied. While the port of Swakopmund has been seized from the sea, the invasion of German South-West Africa has been entrusted to the forces of the South African Union.

Apart from the actual outbreaks of rebellion under Maritz and De Wet, there has been considerable lack of enthusiasm among a section of the Dutch-speaking inhabitants of South Africa for the campaign of conquest ; but General Botha, supported by the majority of the people, has shown firmness and energy in carrying out the task. It was, no doubt, the desire to counter, by a preventive campaign, the possibility of a German offensive

and the spread of German intrigue, which inspired "the Imperial Government's request that the Union should take certain positions in German South-West Africa."¹ If these operations are successfully carried out the right of the South African Government to full consideration of their desires with regard to the disposal of the colony cannot be resisted. General Botha has plainly stated that "the Union would want to have a voice in the final disposal of German South-West Africa,"¹ and the claim is undoubtedly just and reasonable. It is less clear how the interests of the Union would best be served. The administration of the colony would be a severe tax upon the resources of the Union, and besides adding to its native problem, would introduce a German element that might prove difficult of assimilation. It might possibly suit the Union government better for the colony to become a Crown possession; but it is by no means certain that the Imperial authorities would welcome the burden. It is conceivable that the most profitable arrangement would be a rectification of frontiers, the construction (if necessary as a British concession) of rail-

¹ Speech by General Botha, reported in *Times* of September 30, 1914.

ways from Walfisch Bay (a good harbour which stands in a little British *enclave* on the coast) to Cape Town, Johannesburg, and Bulawayo, and a Customs Convention which would enable that port to become an outlet for the produce of the Union and Rhodesia. Whatever settlement is arrived at must take into account both the undoubted interests of the South Africans and the wider questions of Imperial and European policy.

German East Africa, which runs between Portuguese and British East Africa to the great lakes, is a country of immense commercial possibilities. The railway running from the port of Dar-es-Salaam to Lake Tanganyika, thus connecting the coast with the inland waterways, will tap districts of vast wealth, both agricultural and mineral. With an area of about 384,000 square miles it has an estimated native population of over seven and a half millions, but the white inhabitants do not exceed 5,400, of whom some 3,600 are Germans. The climate does not offer any insuperable bar to white settlement, but a great part of the most suitable land is in the possession of native landowners and the area includes two considerable native States. The

products include sisal, rubber, coffee, vanilla, cotton, tobacco, and other tropical produce ; there are vast timber forests ; and minerals of many kinds have been found, including coal, iron, gold, and precious stones. The exports in 1912 were over a million and a half and the imports over two millions and a half. The revenue includes a subsidy of some two millions.

It has been suggested that German East Africa might be handed over to the Indian Government as compensation for the share taken by India in the war, and that it might form an excellent field for that Indian emigration which is so little encouraged by the white Dominions. The objection to this course seems to lie in the fact that immigration on a large scale could only be rendered possible by dispossessing the present native proprietors, a course which would be equally doubtful from the points of view of morality and practicability. The same objection applies, of course, to the idea of white immigration on a large scale, although certain districts are available for settlement.

The chief importance of the colony, from the standpoint of Imperial interests, lies in

the fact that it interposes a wedge of German territory into the projected "all-red route" from Egypt to South Africa. If, however, the British Government should decide, from reasons of policy, against annexation of the colony, there should be no difficulty in coming to a working arrangement as regards questions of transit and tariff. Indeed, it is understood that some arrangement between Britain and Germany with regard to railway and commercial activities in Central Africa had been concluded shortly before the outbreak of war. It is probably in co-operation of this kind that the best hope for the future development of the Dark Continent is to be found.

We have now to turn to the German possessions in the Pacific and in Asia.

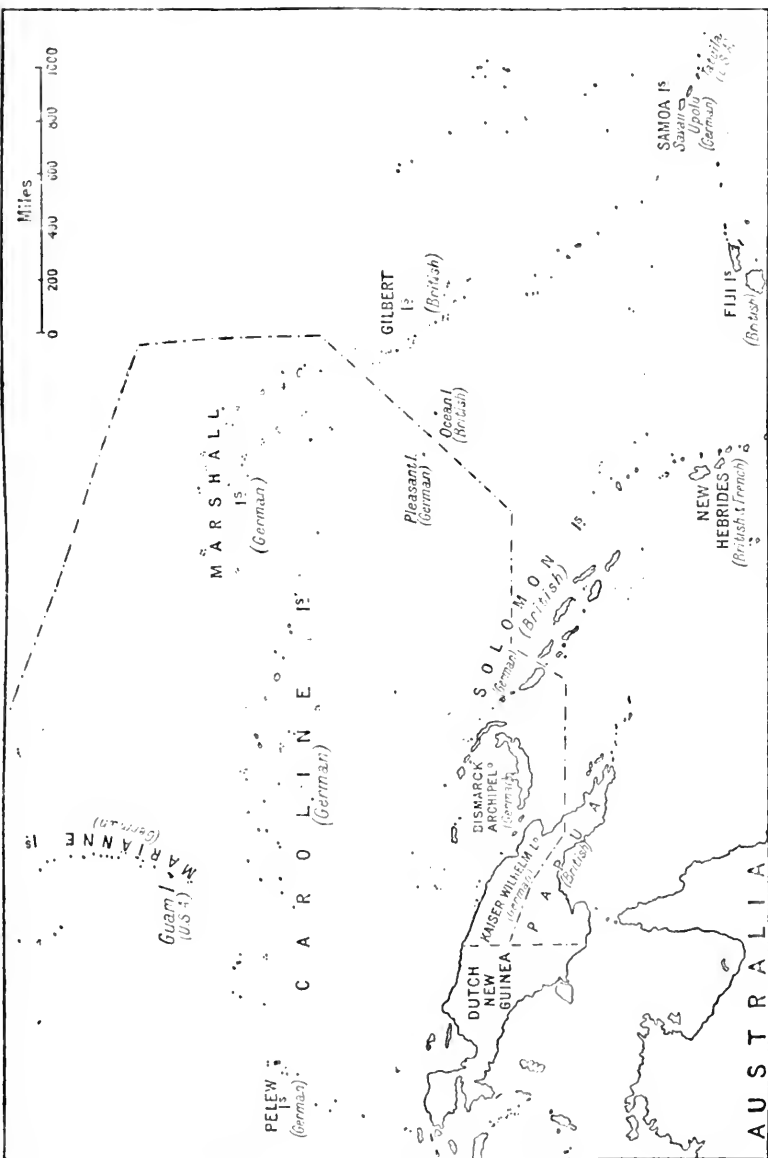
German New Guinea and the scattered groups of islands in the Pacific are of much less commercial importance than the African colonies. Kaiser Wilhelm's Land, which lies to the north of the British territory in New Guinea, has an area of about 70,000 square miles, with a native population of some 450,000, and a white population of under 300.

Tobacco, cotton, coffee, and the coco-palm are cultivated. The imports in 1912 amounted to about £460,000 and the exports to £600,000.

The Bismarck Archipelago, the Caroline, Pelew, Solomon, Marianne and Marshall Islands, are scattered groups with a total area of about 27,000 square miles, and a population of some 300,000, among whom are a few hundred whites. The chief product of the islands is copra.

The revenue of Kaiser Wilhelm's Land and the islands is supplemented by a subvention of some £800,000.

The Samoan Islands of Savaii and Upolu form a separate colony with an area of about 1,000 square miles and a population of some 500 whites (300 Germans) and 35,000 coloured. The exports (chiefly copra and cocoa beans) amounted in 1912 to over £250,000, and the imports (mainly from Australia and New Zealand) to about the same amount. By the Convention of 1899, dividing the Samoan Islands between Germany and the United States (which Powers had previously exercised a joint protectorate with Great Britain), all three nations enjoy an equality of trade rights.



THE GERMAN COLONIES IN THE PACIFIC.

On the whole these Pacific colonies are well administered by Germany and the treatment of the natives is good, although the Germans have not succeeded in creating any particular feeling of loyalty.

The chief value of the islands is probably strategic; consisting in their utility as coaling and signal stations for cruisers operating in the Pacific. The reduction of these colonies has been effected mainly by the forces of the Australian Commonwealth and New Zealand. It is well known that the Australians are inclined to set up something of an equivalent to the Monroe doctrine as regards the islands of Australasia; and the ultimate fate of these German possessions will no doubt be decided in conference with the Australian and New Zealand Governments. The Australian people have in the past keenly resented what seemed to them to be the laxity of British policy in the Pacific, and they will certainly expect a voice in the disposal of the colonies which have been reduced by their forces. It may be expected that the Imperial authorities will give full weight to their desires, and that the Dominion Governments, on their part, will take into consideration the general questions of Imperial policy.

Kiau-chau, a district in the Shantung Peninsula, was acquired by the German Government as a naval base. It was also destined to serve as a centre from which German influence could be extended in the obtaining of commercial concessions and political control. Nominally held by the German Government on a lease of ninety-nine years from China, it covers some 200 square miles, while the "sphere of interest" extends to some 2,750 square miles. It includes the strong fortress and naval harbour of Tsing-tau. The Japanese ultimatum required its retrocession to China; but this having been rejected, and the fortress captured by a Japanese force with the assistance of a small British contingent, the Japanese Government has intimated that it considers its hands are free with regard to the disposal of the leased territory. In any case it may be taken for granted that it will not come again under the German flag. Its fall has been bitterly resented in Germany, but the circumstances under which it was acquired were not such as to give any moral claim to its possession.

However the German colonies may be disposed of, the question of colonial policy will

be of the greatest importance in the future. If we are to look forward to a genuine European understanding, into which even Germany shall in time frankly enter, we must give no ground for the suspicion that she is being shut out of a "place in the sun." However unjust may be the allegations of land-grabbing and piracy made against the British Empire, they have been widely and firmly believed in other countries besides Germany. The German people feel that they are placed at a disadvantage by coming late into the colonial field, and it is our part to show that while we are determined to maintain, if necessary by force of arms, the integrity of our Empire, we have no desire to adopt a dog-in-the-manger attitude with respect to other portions of the earth's surface or to use our naval supremacy to injure or confine the legitimate commercial enterprise of other Powers.

It is equally essential to any cordial co-operation that Germany should abandon the practice of brandishing her "mailed fist" every time she is conducting negotiations for trading stations or commercial facilities. During the last fifty years there has been an unhappy tendency on the part of the Powers

generally to support by diplomatic threats the efforts of traders and financiers to obtain railway or mineral concessions in, for instance, China or Asiatic Turkey. In this way we get the absurdity of great nations being brought to the verge of war by differences over a concession the whole value of which would not defray the cost of a week's operations. In truth there is something a little grotesque about the whole system of backing tenders by bayonets and using squadrons as commercial travellers. In the long run a market will go to those who can produce goods suitable to that market at prices within the means of the buyers, and the attempt to employ military pressure for the promotion of trade is absolutely uneconomic and anomalous. The friction caused is altogether out of proportion to the commercial advantages obtained or to the rewards gained in other directions from legitimate commerce. This political concession-hunting may bring fortunes to individuals, but its interference with the natural laws of commercial development is injurious both to the general trade of the country concerned and to the commercial prosperity of the world.

It is true that fear of foreign commercial

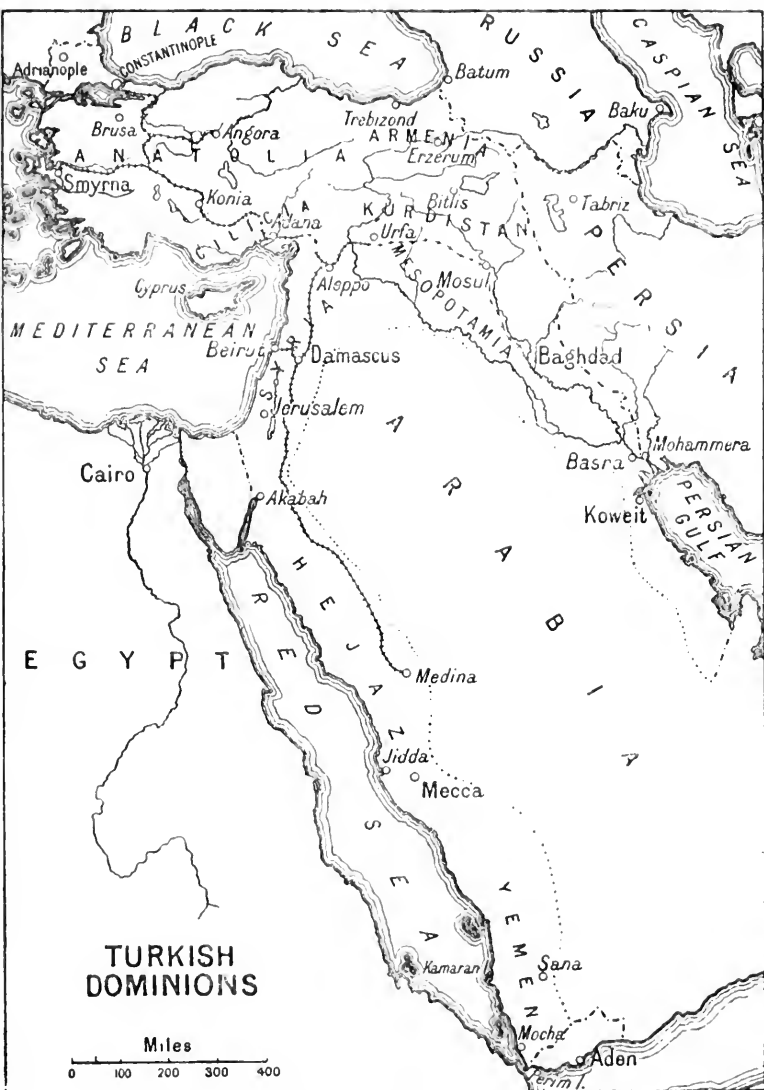
penetration is often complicated by the fear that commercial influence will grow into political control. But this fear in itself is often short-sighted and senseless. It is to the interest of the entire civilised world that as large a proportion of the earth's surface as possible should be opened up for commerce, that communications should be good and secure, that order should be maintained, that the civilisation of the inhabitants should be advanced, that the resources of the territory should be developed. Foreign financiers and foreign traders reap immense benefits from the work of policing and civilisation which Great Britain has done in India and Egypt. Were Germany or Russia to do a similar work in Asia Minor, the commerce of all the world, including Great Britain, would benefit. It is obvious that no one nation can undertake to open up the whole undeveloped surface of the globe ; and it is eminently desirable that some attempt should be made to secure agreement and co-operation in the carrying on of the work. It is earnestly to be hoped that the policy of the Open Door which Britain has adopted in her Overseas Dominions may be extended to the colonial possessions and spheres of influence of all the Powers. The

adoption of a policy of freedom of trade (in the larger sense of the word) and co-operation in the opening up of undeveloped territory to commerce would undoubtedly yield far better results to the trade of each of the States concerned than a continuation of the policy of exclusive exploitation and rivalry. It would also remove a very constant and irritating source of international friction.

The whole question may be rendered somewhat acute by the possible break-up of Asiatic Turkey. Whether the Turk, if driven out of Europe, will be able to maintain his rule in Asia may be a doubtful problem. It is certain that unless he shows an altogether new and unexpected capacity as an administrator, the commercial future of his Asiatic dominions will lie in their penetration by Europeans. It is at least possible that his political incompetence may result in a total break-up of even his Asiatic Empire. In that case, unless the situation is wisely handled by the European Governments, we may witness the same undignified scramble for territory and spheres of influence as marked the colonisation of Africa. The only way to avert such a scramble, with all its attendant friction, would be an equitable and friendly

agreement by the Powers for the protection of their joint and several interests.

It is probable that the Russo-Turkish campaign in the Caucasus will end by a Russian occupation of Armenia, and there can be no doubt that such a change would be to the benefit of the Armenian portion of the population. In Asia Minor itself is the real home of the Turkish race, and here if anywhere an independent Turkey may be preserved without injury to the peace of the world. But it is equally doubtful whether the Turk if expelled from Constantinople will be able to maintain his control of Arabia and whether the Arab national movement is really sufficiently advanced to be capable of establishing an organised government. France has large interests in Syria and Italy in Cilicia; Smyrna is largely a Greek city. The idea of an independent Jewish Palestine presents many attractive features and might go far to solve the problems of Jewish nationalism in other countries. Moreover, it must be remembered that unless we are to imagine that Germany can be permanently excluded from the European system and the life of the world—an idea too preposterous to be refuted—her interests will have to be



TURKEY IN ASIA.

considered, and that these are of considerable magnitude in Asia Minor and Mesopotamia. It has even been suggested that in this region Germany may find a field for emigrants who would not be lost to the Fatherland. Dr. J. Holland Rose, who cannot be suspected of pro-Germanism, writes :

The enlarged and strengthened Areopagus of the nations must and will discuss such questions as the excessive pressure of the population in one State, and it will seek to direct the surplus to waste or ill-cultivated lands. In that more intelligent and peaceful future Germans will not need to "hack their way through." The fiat of mankind will, I hope, go forth that they shall acquire, if need be, parts of Asia Minor, Mesopotamia, and South Brazil.¹

It is true that the problem is complicated for us by the strategical considerations involved in our protectorate of Egypt and the preservation of our sea route to India, and by our obligations, as the greatest Moslem Power, to provide for the security of the Holy Places and the routes of pilgrimage. It must be remembered, however, that a Russian occupation of Constantinople and

¹ *The Origin of the War*, p. 188. Dr. Holland Rose's suggestion with regard to Brazil raises very difficult and delicate points. It is at least doubtful also whether the German colonists in Brazil would welcome political union with Germany.

the strengthening of the Balkan States would go a long way towards removing such apprehensions as were originally excited by the Bagdad Railway scheme.

The fact that the whole problem may prove somewhat complex and difficult is all the more reason why a real attempt should be made to settle it by agreement and to avoid the friction arising from a policy of pin-pricks.

It may not be possible at the end of the war to secure an all-round agreement on questions of colonisation and spheres of influence similar to that by which France and Britain settled the apparent conflict of their interests in Africa. It is possible that a beginning might be made, and it is very much to be hoped that it will be attempted. The adoption of such a policy would not merely be of good augury for the development of world commerce and civilisation, but would go far to remove possible causes of conflict and to pave the way for a genuine European understanding.

Note.—The proclamation of the British Protectorate over Egypt does not seem to call for discussion among the problems of the settlement. Its sole effect is to regularise an already existing situation, and it involves no real change either in the internal or the international position.

CHAPTER VI

THE ECONOMIC FACTORS OF THE SETTLEMENT

IT was said in the first chapter that as a general rule wars are waged either for the assertion of national superiority or in pursuit of a supposed opportunity for material gain. The annexation of alien provinces is prompted either by the desire for political power, which springs from belief in the inherent rivalry of nations, or by a supposed opportunity of adding to national wealth and prosperity. We have already dealt with the former of these motives. We have seen that the acquisition of territory inhabited by people of alien nationality results both in the creation of a centre of unrest within the State and in the multiplication of causes of conflict with other nations. The question of material advantage remains to be considered.

The belief in the material advantages of conquest dates from days when it was still

possible to exact in one form or another tribute from a conquered country and to divert the profits derived from the development of its resources to the exclusive benefit of the conqueror. Even in times when the economic development of the world was comparatively rudimentary, this policy was usually attended, in the long run, with fatal results to the prosperity of the conquering State ; but in modern times the complexity of commerce and the greater rapidity of economic reactions have much increased the danger and difficulty of such an exploitation of conquered territory and have rendered its ill effects more rapidly felt and more easily demonstrated. It has become an axiom of practical statesmen that the local revenues of conquered territory must be applied for purposes of local development.

The principle that local revenues should be expended locally has become part of the political creed of Englishmen.¹

The trade figures of conquered provinces do indeed go to swell the returns of the conquering States, but these totals reflect only the increased area and population of the

¹ *Political and Literary Essays*, 1908-1913, the Earl of Cromer, p. 22.

State and do not imply greater prosperity or improved conditions of life for its people. It is true that the transfer of territory from one government to another involves the transfer of such proportion of local taxation as is devoted to armament, and thus increases the power of the conquering State to provide material of war as well as adding to the population from which its troops are raised. This, however, is a political and not an economic consideration. The degree of value to be attached to such transfer depends upon the acceptance or non-acceptance of the theory of the necessary rivalry of States and of domination as the end of government. It is subject, of course, to the criticisms already passed upon this theory. While it adds to the military power of the victorious State it increases the risk of war and creates a centre of disaffection which may become a grave source of political embarrassment. With this exception, the revenues of conquered territories cannot be assumed to provide a surplus which can be drawn upon for the purposes of the central government over and above the increased expenditure rendered necessary by the administration of the annexed territories. Nor can it be said that the political control of

districts producing raw material represents new sources of supply available for the manufactures of the dominant race. Every manufacturing nation imports large quantities of raw material from territories over which it has no control, which may indeed be situated within the frontiers of States politically hostile ; nor would the political control of these territories enable such materials to be acquired without payment. This is not the place for a detailed examination of the complex question of the exploitation of natural wealth in backward countries. It is possible, however, to say at least that the difficulties of any attempt at exclusive exploitation are so far recognised that export duties on raw materials are practically unknown even in highly protected States. The only method by which the raw materials of annexed territories could be made a source of revenue to the conquering State would be their confiscation by the Government, but State working of iron mines or coal mines is not likely to be commercially advantageous, and the adoption of such a step in conquered territories would probably lead to trouble with private owners in the conquering country. Perhaps the only definite material advantage which

can be gained from the annexation of territory is the inclusion of the new provinces within the fiscal zone of the State, and a consequent extension of the Free Trade market ; but even this gain must be weighed in the balance against the increased burden of armament expenditure and of war risks which the possession of conquered territory involves. Questions of fiscal arrangement, the free navigation of rivers, etc., can generally be settled both better and more cheaply by negotiation and bargaining than by wars of conquest, and they can seldom be settled by the forcible transfer of territory without involving counter-balancing disadvantages which outweigh the profit. In the whole question of territorial rearrangement the material gains are so limited and problematical and the political considerations so preponderant, that economic interests can hardly be held to interfere with the working of those principles of nationality and consent which have been discussed in the previous chapters.

It is these considerations which render a territorial "compensation"—to Belgium, for instance—so largely illusory in the financial sense, leaving the question to be settled upon

those considerations of political desirability which have already been discussed.

In the case of the break-up of a great artificial Empire like that of Austria-Hungary, where very large territories are involved, the economic ties between the separated areas and the remaining portion of the Empire will generally involve considerations of mutual interest which will express themselves in the fiscal arrangements following the redistribution of territory.

To a large extent the considerations which apply to the redistribution of territory in Europe apply also to colonial possessions. The practice of exclusive exploitation which, in the case of the Spanish colonial empire, proved ruinous alike to the colonies and to the mother country, would be to-day more than ever disastrous. The existence of great national overseas communities will always afford an accessible and desirable market whether politically united to the mother country, as in the case of the British Dominions, or politically severed, as in the case of the great German communities in North and South America. In the case of tropical colonies unsuitable for European settlements it is true that trade generally

follows investment and the development of communications, and that investment and communications show a tendency to follow the flag. It is less certain, when once investment on any considerable scale has taken place and communications have been set up by the establishment of steamer lines, etc., how far the transfer of political control would involve the transfer of the trade already created.

In the later stages of development of colonies where there is no great white population, it is probable that their prosperity can only be ensured by allowing trade complete freedom to follow the natural laws of demand and supply. It is true that political control produces an opportunity for the obtaining by individuals of valuable concessions, but the benefits of these concessions are derived rather by the small group immediately concerned than by the trade of the country as a whole. For all exporting nations the supreme commercial interest in these undeveloped districts is their opening up to trade, the maintenance of order and the improvement of communications. So long as this work is efficiently performed it is a matter of comparative indifference by whom it is carried out. It can hardly be said to be to the

interest of any single country to undertake the whole burden of such development. British interests in particular are better served by the creation or preservation of such friendly relations with other States as will ensure the guidance of their colonial policy by the principle of the "open door"—a principle which experience shows to be essential to the prosperity of the colonies themselves—than by a further addition to the gigantic extent of the Overseas Dominions.

It would be idle, of course, to deny the benefits which result to British trade from the political connection with India; but a careful study of Indian history will show that our Indian trade has been built up by commercial enterprise rather than by the exercise of military power. It has been a case of the flag following trade for the protection of our merchants in disturbed provinces, rather than of trade following the flag as a result of conquest. And the whole history of Indian development goes to prove the superiority of a liberal system of colonial policy as against that idea of exclusive exploitation which is the ideal of exponents of the domination theory and which dragged Spain and her colonies alike to ruin.

The whole question of colonial possessions and spheres of influence has been dealt with in the last chapter on lines of general principle, and the considerations involved in those principles will outweigh in most cases the economic argument. Whether or no political considerations involve the annexation of any of the German colonies, the idea that this annexation can be set off in terms of capital value against the cost of the war involves a flat contradiction of the outstanding facts of economics and of colonial experience.

We have now to turn from the consideration of the economic side of those questions involving transfer of territory, the political aspects of which have been dealt with in previous chapters, to a discussion of the purely financial problems of the settlement. By far the most important of these is, of course, the question of indemnities. The subject is a complex and a difficult one, but no discussion of the settlement would be complete which did not involve some consideration of the arguments for and against the possibility and desirability of exacting indemnities in the event of victory.

The imposition of a war indemnity may be

prompted by five distinct motives. It may be designed :

(*a*) To enrich the victor ; that is to say, to enable him to make a profit out of his victory ;

(*b*) To inflict upon the vanquished an adequate punishment for his act of aggression ;

(*c*) To recoup the conqueror for the cost of the war ;

(*d*) To make good the damage done to the prosperity of the subjects of the conquering State ;

(*e*) To impoverish the vanquished State, not as a matter of punishment, but with a view to impairing his power for renewed military or commercial aggression.

In the case of the present war it does not appear to be necessary to discuss at length the question of an indemnity imposed for either of the first two motives. Even if it were possible to exact an indemnity of such size that it would not only repay the cost of the war to the Allies but leave them a substantial margin of profit, it is hardly conceivable that they would make the attempt. The Allied Governments have repeatedly stated that their object in this war is not to enrich the Allied Powers, and the whole notion of waging

war for the purpose of profit would be repugnant alike to the feelings of the Allied Peoples and to the principles upon which they have based their cause. The crude idea of punishment by the infliction of an indemnity is equally alien to the spirit in which the war is being waged by the Allies. It is not impossible that their demands at the end of the war might include an inquiry into allegations of outrage upon the civilian populations of France and Belgium and breaches of the laws of war, to be followed by the punishment of the responsible parties; but it is obvious that the infliction of punishment upon a whole nation, either for the acts of its Government or for the misconduct of some of its soldiers, by the imposition of a crushing indemnity, would result in the burden falling in the main not only upon those least able to bear it, but upon those who were most free from responsibility. Moreover, the object of the Allies, which is to attain a more secure European society, is to be achieved not so much by the imposition of vindictive punishment as by the adoption of a policy which will give to the Germans themselves an opportunity and a motive for reforming the abuses of their Government.

It would seem, however, that a victor who is confident of the justice of his cause might legitimately employ the imposition of an indemnity for any of the other three objects mentioned above, if it should prove that they could be best obtained by these means. It will, therefore, be desirable to consider briefly how far it is possible to secure an indemnity from the defeated Powers for the achievement of any one of these ends; and whether it can be effected without involving disadvantages which would outweigh the benefits to be derived from it.

First, can the Allies hope to exact an indemnity that will recoup them for the cost of the war?

It is obviously impossible to estimate with any approach to accuracy what the cost of the war will be. In order to take a strictly reasonable figure, we will assume that the war does not extend beyond twelve months from its commencement. This is, of course, the purest assumption and very probably the period may be largely exceeded, but it will give at least some data from which conclusions may be drawn, and it will be sufficient to bear in mind that the prolongation of the war beyond that period

would add possibly more than proportionately to its cost.

Taking as a basis the figures given by Mr. Lloyd George for the year ending December 31 next, we may take the Allies' expenditure in the course of twelve months of war as about £2,000,000,000. This, of course, is only the direct war expenditure, and that direct expenditure does not represent anything like the real burden. To cover that we should have to take into account the stoppage of trade, the destruction of property, the diversion of energy from productive pursuits to the fighting line, and to the preparation of the material of war, the loss to the States of the productive power of those killed and disabled during the war, and the losses attendant upon the general dislocation of finance. Against these it would be necessary to put certain savings due to the cutting down of items of wasteful expenditure, but there is no question that the total figure would be gigantic. It is better, however, not to involve ourselves in an attempt to estimate it, but to remain content with the figure of two thousand millions which would represent merely the direct cost of the war.

The first question we have to ask is whether

it would be possible for Germany and Austria to pay such a sum. If these Powers are compelled to sue for peace from sheer exhaustion, it may be assumed that every source of revenue will previously have been drained dry and every revenue-raising device strained to the uttermost. The longer the war continues before the Will to Resist of these States is broken down, the more complete will be the exhaustion of their financial resources. By the manipulation of loans and the issue of inconvertible paper money their governments will not only have made great inroads upon the existing wealth of the States, but will have anticipated for war purposes the production of the future. The Allies, following in the tracks of the German tax collectors who, *ex hypothesi*, have adopted every means known to them of raising revenue for the purposes of war, will not be able to improve on their work. On the other hand, if we suppose the war to end before the point of financial exhaustion is reached by Germany, it will be a question for very serious consideration as to whether it would be worth while to press for an indemnity as one of the conditions of peace. On this assumption, that through purely military means

Germany is induced to sue for peace before her financial resources are exhausted, the Allies would be faced by two considerations : first, they would have to recognise that by prolonging the war for the sake of an indemnity they would be sacrificing the lives of their citizens, the value of which cannot be calculated, for a purely material gain ; and, secondly, that every month of warfare would render the proportion of the sum which could be extracted from Germany to the total of the Allies' expenditure less adequate.

For these reasons it seems unlikely that a capital levy of any magnitude can be imposed on the defeated nations. It would almost certainly be impossible to raise in this way any sum comparable to the cost of the war. The great indemnity could only be obtained by instalments covering a period of, say, twenty years. It would have to be provided also that the annual payments should be graduated so as to keep pace with the economic recovery of the defeated nations. The payments to be made in the first few years after the war would necessarily be small, being gradually increased as finance and industry recovered their normal condition.

There does not seem to be any inherent impossibility in an indemnity of two thousand millions being raised in this way. It would probably be possible indeed to exact a much larger sum. We must, however, face the fact that the question of its desirability is governed by other than purely financial considerations. The spreading of payment over a considerable term of years, which would be necessary to its financial possibility, would keep alive among the population of the defeated countries the passions aroused by the war, and would go far towards preventing any possibility of a reconciliation between the belligerents or the formation of that general European understanding which seems to be the only possible security for permanent peace. Moreover, such a plan would certainly involve a demand for some security to be given by Germany for the due payment of the instalments. The most obvious course would be to occupy certain German fortresses and districts until payment should be completed. Such occupation, however, would probably form an insuperable obstacle not merely to any possibility of reconciliation, but to any satisfactory readjustment of the political system in Europe, and the situation of the

army of occupation might well become intolerable, as it did in the case of France after 1815. A very much more practicable suggestion is that the German colonies should be retained as pledges to be restored as and when the instalments were paid. The point which has here to be considered is how far these colonies would form a genuine equivalent for the financial loss if Germany should make default in her payments, in the hope of recovering the colonies by arms at some future time. For a part, at least, of the indemnity it might be possible to obtain something in the nature of a banker's guarantee which would pledge the credit of German finance for due performance of the obligations undertaken. The extent to which this will be possible must depend, of course, upon the size of the indemnity on the one hand and the financial position of Germany at the close of the war on the other.

A consideration which will carry great weight in financial circles and will operate against the imposition of an indemnity of great magnitude, even though payment may be extended over a considerable period, is that the prime necessity of world commerce after the great upheaval of the war will be

a period of rest and recuperation. Business men, who are above all things anxious to see trade flowing again in its normal channels and to reforge the links which have been shattered, will not be disposed to look very favourably upon a financial operation which, though it might relieve taxation, would certainly not make for tranquillity in the money markets. It therefore becomes a question whether the best business interests in the Allied Countries will not be disposed rather to discourage their Governments from demanding any very large financial contribution from the vanquished States, and be willing to forgo that compensation for damage done to individual interests which must in any case be so inadequate.

It is true that the indemnity imposed upon France by Germany in 1871 was paid off in twenty-seven months from the date of the first payment, and the transaction was therefore free from the complications attendant upon the system of extended instalments. We must, however, take into consideration that the amount of an indemnity which would compensate the Allies to any substantial degree for the expenses of the war would be very much greater than

that of the Franco-German indemnity, and that the conditions in Germany would be altogether different from those which obtained in France. The whole financial position of France was based in 1870 on the fact that every peasant was a small capitalist. The French are a thrifty nation with small families. They have become a nation of investors, and at the time when the indemnity was imposed upon them the extent of the national reserves of capital was displayed in the remarkable response to the new loans by which the £200,000,000 were paid off. The Germans, on the contrary, are a nation of borrowers, with capacities for production and distribution which enable them to take their place in the front rank of commercial nations, but without great capital reserves. It would almost certainly be impossible for them to raise within the country anything like the sum which would be required.

Neither is the prospect of the defeated nations being able to float a loan in neutral countries for the purpose of raising funds wherewith to discharge the indemnity at once very promising. The only neutral country capable of subscribing to such a loan is America, and even there capital is likely to

be much too scarce for any to be available for the great indemnity loan. The surplus capital of the world will be badly needed at the end of the war for the purpose of restoring the position of industry and commerce, and the raising of an immense indemnity loan in America is neither probable nor—from the Allies' point of view—desirable. Such a loan would necessarily compete with the requirements of British traders in the money markets of the world. It is true that the British Government would receive the money without the payment of interest ; yet it may be doubted whether this advantage would counterbalance the effect of its diversion from those channels into which it would naturally have been attracted—the channels, that is to say, by which it would have been distributed where the need of capital was greatest. With all its drawbacks the gradual payment system would probably be the only method by which such an indemnity could be paid, and the greater the amount of the indemnity, the longer would be the period of payment with its attendant disadvantages.

It must still be considered, however, how far it may be possible to exact an indemnity which would relieve the Allies of some sub-

stantial part of the cost of the war without incurring those disadvantages which would attend upon any attempt by the Allies to recoup themselves for their whole expenditure. To answer this question fully will require a most careful study of the conditions which actually exist when peace is made. It would appear that whatever may be the total amount of the indemnity demanded, the instalments which could be paid during the first few years after the war must almost certainly be small. It does not seem likely that any indemnity sufficiently substantial to be worth imposing could be obtained without its payment being extended over a term of years, thus involving, to some extent at least, the objections already referred to.

There is one important phase of the political results of imposing a very large indemnity which must not be overlooked. Whether an indemnity be imposed or not, it will be necessary for Germany after the war to raise new taxes in order to defray her war expenditure. The increase in her national debt will call for at least an extra twenty millions a year in interest. It must be some years before imports reach their pre-war level, and there will therefore be a greatly

reduced yield from customs duty, the principal normal source of Imperial revenue. An attempt may be made to increase the yield from this source by raising the tariff, but it is very doubtful whether at such a time any material increase in revenue could be obtained in this way. The excise, post, telegraph, and stamps will probably yield less than in 1913, and it is doubtful whether by any device they could be made more productive. Large capital levies, such as that which was made in Germany shortly before the war, will, for the reasons we have indicated, be impracticable. The expedient of raising loans by which deficits for many years past have been made up, may still be tried, but is unlikely to prove very productive. In all probability, therefore, direct taxation on a very substantial scale must be resorted to. For various reasons the German people have always vehemently resented proposals for raising Imperial revenue by direct taxation, and it is safe to assume that the imposition of new Imperial taxation will arouse bitter resentment. The reaction against the policy of the military clique, who have control of German foreign politics, is likely to be bitter and lasting. Their one claim to be followed

by the German people has been based upon the supposition of their ability to organise victory. Discredited by defeat, they will lose their only hold upon the mass of the people. In these circumstances, the resentment aroused by the new taxation will almost certainly be concentrated on the militarist party. It is to the obvious advantage of Europe as a whole that the influence of the military caste in German politics should be weakened. The attempt to destroy the Prussian *régime* by force from without would certainly defeat its object. Reform must come from within, and the discontent aroused by the financial burden left by unsuccessful war will be one of the most potent instruments in the overthrow of the Prussian bureaucracy. If, however, the imposition of an immense indemnity causes the German people to associate the new taxation with the exactions of the Allies, their resentment will be diverted from their own discredited leaders to the Allied Governments. The one hope of the Prussian clique is that they should be able to hold themselves out as the natural leaders of Germany in resistance to foreign oppression, and the payment of a great indemnity might be dearly purchased by

affording to those who are most responsible for the present war the one instrument by which they could maintain their hold upon the German people.

It may be suggested that the effect of the indemnity upon German taxation might be balanced to some extent by compulsory disarmament of the German Empire, and the consequent saving of some fifty millions per annum. This is a political question which has been discussed elsewhere. To impose compulsory disarmament upon Germany would practically involve permanent occupation of the country. Whether the effect of the financial stringency produced by an indemnity would be to induce the Germans voluntarily to effect such savings upon the military and naval credits as would enable them to meet the burden of the indemnity is doubtful. It is at least possible that the effect upon a tenacious and warlike people might be to induce them rather to strain every nerve for a speedy restoration of their military establishments such as would enable them once more to accept the chance of war and so rid themselves of the burden which they most resented.

We have been dealing so far mainly with

the possibility of exacting an indemnity and with the political effects to be expected from its exaction. In calculating the balance of advantage, these political considerations form the most important factor. Even from the narrowest financial point of view we are obliged to take into account the possibility of increased armaments and greater risk of future war having to be set off against the amount of the indemnity exacted. When we come to consider the broad lines of policy and the possibility of such a reconstruction of European society as has been indicated by the Allied Governments in their declarations concerning the objects of the war, it is obvious that these political considerations are of paramount importance.

The whole question of the economic reactions set up by indemnities is one of great difficulty, and the data before us are hardly sufficient to enable even the expert in economics to make any dogmatic pronouncement upon the subject. The possibility of such reactions must, however, be taken into consideration in conjunction with the political consequences above referred to, in deciding whether the exaction of a great indemnity

is desirable ; and, if so, at what figure it should be placed.

There is one economic consideration—perhaps the most important of all—which does stand out clearly. To the extent to which the payment of the indemnity left Germany impoverished, her value as a market for the British exporter would be diminished. To talk of “wiping Germany off the commercial map and adjusting our trade to the new geography” is not to talk business. When the war is over the nations of the world will continue to buy from those countries which can best produce the goods they need, and will continue to sell to those nations where the demand for their own productions is greatest. The British business man knows—even if the British journalist does not—that you cannot destroy the purchasing power of Germany without injury to British trade. It is true that we buy more from Germany than we sell to her, but the amount is balanced by the services of our merchant marine and by our exports to the countries from which her imports are drawn. Finance and commerce cannot be divided into watertight compartments, and in striving to destroy the trade of a rival we might

inflict irreparable injury upon our own prosperity.

It is this last-mentioned factor which is of most importance when we consider the only motive for imposing an indemnity which has not yet been discussed—the impoverishment of the vanquished in order to prevent renewed military aggression or commercial rivalry on his part. However he may be impoverished, he will, if driven to extremes, find the means for maintaining armaments that may disturb the peace of Europe ; and the attempt to get rid of his commercial competition by destroying his prosperity is a double-edged weapon with which a wise statesmanship will not play.

It is doubtful, however, even if it were desirable—which it certainly is not—to seek to hamper a nation's commercial life in this way, whether the imposition of an indemnity might not have a contrary effect. It should be borne in mind that payment of large sums by one nation to another can only be made ultimately in the form of goods. The enforced export of commodities in such huge quantities as a two thousand million indemnity would involve cannot but stimulate the industrial activities of the nation

paying the indemnity ; and unless the most elaborate precautions be taken, it might correspondingly depress the industries of the receiving nations. It is not suggested, of course, that the activities so produced in the paying countries would be normally profitable—the position would rather be that of working at high pressure for the smallest profits or at an actual loss—but in considering the imposition of an indemnity for the purposes of crippling the vanquished people, it becomes necessary to inquire whether the unfailing, continuous demand for exports which this proposal would involve would not give such an opportunity for production on a large scale and for the perfecting of productive organisation and machinery that, on the final discharge of the indemnity, the nation paying would be a most formidable commercial competitor.

Various ingenious proposals have been put forward for avoiding the economic and political disadvantages inherent in the exaction of a great capital levy or in the payment of an indemnity by instalments. It has been suggested, for instance, that Germany should issue stock to the amount of the indemnity, to be upon the same conditions as, and to

rank *pari passu* with, her ordinary securities. Another suggestion is that all German investments in foreign countries should be transferred to the Allied Governments, leaving the German Government to settle with its own subjects. No doubt there is a good deal to be said in favour of placing the payment of any indemnity which may be exacted as much as possible on the same footing as the discharge of pre-existing Government obligations. It is, however, extremely doubtful, to say the least, whether it would be possible, in practice, to render any particular issue of stock or bonds indistinguishable from other stock. It would always be open to the Germans to repudiate the issue of 1915 or 1916, without proclaiming a general bankruptcy. Knowing this, financiers, especially those outside the Allied States, would be exceedingly chary of taking up the stock, and the unloading by the Allied Governments would in fact prove a very difficult operation. A similar objection applies to the proposal to seize the foreign investments of German subjects. It will be obvious that this involves either the confiscation of private property or the indemnification of the investors by the German Government—an operation

which would entail all the disadvantages we have hitherto discussed. It is, moreover, by no means clear that the firms in foreign countries, by whom these stocks and shares were originally issued, would welcome their compulsory transference into other hands. The investment of capital and the carrying on of ordinary commercial relations go frequently—more frequently, perhaps, than people realise—hand in hand; and the sudden change in the ownership of invested capital might react very seriously upon the commercial prosperity of peoples in no way concerned with the war or its outcome. It is probable also that it would result in a serious depreciation of the securities. It would not be possible within the scope of this book to arrive at any conclusion as to the best way to manipulate the payment of an indemnity in case one should be imposed. Speaking in general terms, however, it must be considered questionable whether any financial manipulation can be devised which will wholly remove the disadvantages that necessarily accompany a great forced transference of wealth of this kind.

There is one factor which it is impossible to ignore, whether we propose to raise a great

capital sum from Germany or to impose upon her the payment of heavy instalments or interest. For many years the piling-up of gigantic national debts, due principally to armament competition, has been a source of anxiety to many financiers. These national debts will be enormously increased by the cost of the war, and if the burden of a great indemnity is to be added to the debts of Germany and Austria, it is not improbable that we shall be brought within measurable distance of a repudiation by these countries. While some of us might feel a measure of savage satisfaction with the idea that the aggressive designs of Germany had brought her to national bankruptcy, it is certain that such catastrophe would not be viewed without the gravest apprehensions by the financial and business community here as in the rest of the world.

There is one item which stands apart from the general question of indemnities—that is, compensation to Belgium. The sum required to make good the devastation of Belgium and set the Belgian people upon their feet, although substantial, is not comparable with that which would be required for a general compensation to the Allies. It does not in-

volve the same financial difficulties, and even if it did they would not be allowed to stand in the way. There is universal recognition that the case of Belgium is distinguishable from that of all the other nations engaged in the war. Not only was she guiltless of any share in the events which brought about the catastrophe, she was wholly without interest in any of the questions involved. The sufferings which the Belgian people have undergone have devolved upon them solely by their determination to fulfil honourable engagements, and the Allies, who owe so much to the heroic stand made by Belgium in the early days of the war, are bound to see her righted. It was not until the universal indignation of the civilised world had made itself felt that even the German Government made any pretence that the invasion of Belgium was actuated by other motives than those of military necessity, which they presumed to override considerations of international morality. At an early stage the German Chancellor declared that the wrong which was done to Belgium by the violation of her neutrality should be repaired; and the Allies will certainly see to it that this promise is fulfilled. In Germany itself the

national conscience has been uneasy over the outrage to Belgium, and the demand for compensation in this case (which might be a first charge upon the German and Austrian revenues for a term of years) would be free from the political objections which complicate the general question of indemnities. Whatever resentment this additional taxation might involve would be directed against those whose doctrine of military necessity has dragged Germany into a false position.

It may be noted that where, as in this case, the indemnity is required for the re-establishment of railways, bridges, and roads, rebuilding of demolished houses and factories, the commodities brought into the country will take the form of materials for these purposes ; and the transaction will be wholly or largely free from any fear of the injurious reactions the possibility of which has already been discussed. In this instance the influx of capital would be created in the very place where it was most required in the work of industrial and financial re-establishment, and to which it would in any case be drawn.

The Allies are not likely to forget their obligations to Belgium and they may conceivably desire of their own free will to con-

tribute to her financial restoration, but there is every moral justification for imposing the burden of restitution upon the original violators of Belgian neutrality.

The question of the devastated areas in France and Western Russia may also be raised. In these cases the economic considerations are covered by what has already been said with regard to Belgium, although the moral claim cannot be placed upon quite the same footing. It is possible that in view of the amount of destruction both to public and private property necessarily involved by the operations of war, there may be a reciprocal arrangement for the restoration of property destroyed by either side in the course of operations upon hostile soil ; and if the Germans have committed devastations beyond those inseparable from military necessities, they will go to swell the total.

The imposition of an indemnity is not the only form in which financial and economic considerations might directly affect the terms of the settlement and the policy of the Allies after the war. While there is a universal disclaimer of the idea that their action was, or could be, influenced by commercial considerations, expression is frequently given to

the idea that their disavowal of financial motives need not prevent them from taking advantage of such incidental benefits as a victorious war may give them. Against this it is urged that in a war waged to maintain the sanctity of the plighted word, of international law, the Allies are bound to exercise a most scrupulous delicacy in acting up to their own declarations ; and that it would be very undesirable for Great Britain, in particular, to do anything which might give colour to the belief that she had planned, or at least welcomed the war, as a means of destroying a trade rival whom she was unable to meet in legitimate competition. It is pointed out that not only is this idea widely believed in Germany, but that it has been sedulously preached by the advocates of Germany in neutral countries. The moral question is one as to which widely differing judgments will be formed ; but it will be useful, in any case, to examine some of the proposals which have been put forward.

In the first place, it has been suggested that the complaint of British traders against Germany has had no reference to fair and legitimate competition, but to methods which bore no relation to the ordinary activities of

honest commerce. Germany's methods in trade, it is said, have been identical with her methods in war, being equally backed by an aggressive and unscrupulous State policy, which connives at the stealing of inventions and assists deliberately destructive competition in selected lines of manufacture, by State bounties and special railway and shipping rates. According to this view commerce in Germany is regarded as a form of war, a sustained effort to destroy the prosperity of other States by any means which is capable of inflicting injury. On this assumption it is argued that the ordinary considerations affecting commercial relations do not apply in the case of the German people; that we must meet war by war and that advantage should be taken of the settlement to place ourselves in a strong position for the economic struggle which will succeed to the conflict of arms. Among the methods of carrying out this design which have been suggested are the levying by Britain of a heavy discriminatory tariff on German manufactures; the creation of a Zollverein, to include all the Allied Powers, for the purpose of economic warfare with Germany; the imposition of countervailing duties on bounty-fed manu-

factures ; the imposition upon Germany of a free trade system in regard to the Allied countries ; and the levying by the Allies of an export duty on German manufactured goods.

It is not necessary to enter into any discussion of the general question of free trade and tariffs, but it must be clearly said that there are no special circumstances arising out of the war which make the imposition of penal duties on German goods more or less desirable at this time than they have always been. Admitting that the Germans may have used unscrupulous commercial methods, the fact remains that the greater part of their commercial expansion has been gained by scientific methods of production and painstaking organisation. It is difficult to see where this theory of economic warfare is to lead us, and it is very doubtful whether we should have anything to gain by accepting and encouraging a conception of commercial relations which might be used against ourselves by other countries in the future. The whole fabric of our vast trade has been built up upon the idea that in the long run commercial prosperity can be best secured by excellence of production and a reputation

for honest dealing. If that idea is true, the best reply to unscrupulous competition is probably to be found in an adherence to our old policy, coupled with willingness to adopt whatever is legitimate in the methods of our rival—improved processes of production and distribution and a greater regard for the requirements of customers. So long as our manufacturers and merchants can maintain the quality of their goods and their reputation for fair dealing, they have nothing to fear from legitimate competition ; and the methods of illegitimate competition are likely to recoil upon the heads of those who use them. We are not discussing here the questions of tariffs imposed for purposes of revenue, the protection of infant industries, or the political aspects of Imperial preference. The question before us is that of entering upon a definite tariff war with Germany based upon the supposition that the traders of the two countries bear to each other the relations of hostile armies. It will need much more convincing arguments than any which have yet been put before us to persuade us to such a course.

The creation of a Zollverein of the Allied States for the purposes of carrying on this economic warfare is open to all the objections

already urged. It introduces, also, practical difficulties of considerable magnitude owing to the widely different fiscal systems that prevail in the several countries. No small part of these difficulties might very well arise in the case of the British Overseas Dominions. The steadfast refusal of the Imperial Government to interfere in the fiscal arrangements of the self-governing Dominions has been one of the keystones of our Imperial policy. It would be in the highest degree injudicious to bring pressure upon them now for the purpose of securing their co-operation in a commercial warfare of this kind. It involves, moreover, political considerations of the highest importance. Any nation or group of nations is free at any time to adopt any fiscal system which it may think desirable. It does not require that Germany should be in a state of military prostration for the governments of any countries which may feel aggrieved by her commercial competition to agree upon measures of fiscal retaliation. But the suggestion that they should be adopted as, in fact, a continuation of the war—a mere shifting of the field of hostilities—is open to grave objections which have nothing to do with economics. To associate

the settlement with the creation of a Zollverein by the Allies, aimed definitely at the crippling of German trade, would not only compromise their proclamations of disinterestedness and prolong indefinitely the hatreds and suspicions caused by the war ; it would involve an acceptance of the whole Prussian theory of the relations of States, and would effectually defeat the efforts of the reform party in Germany. Its political result would be to render altogether impossible any attempt to lay the foundations of a general European understanding.

The suggestion that discriminating duties should be imposed on any German goods the export of which is stimulated by bounties, is a measure of lesser importance which involves no particular economic principle. Temporary bounties, deliberately designed to injure the industries of another country, are admitted by Free Trader and Protectionist alike to be vicious in their effects and incapable of justification. No valid objection necessarily arises to a scheme for the imposition of countervailing import duties ; but such a scheme can be (and could have been) adopted at any time. Whether desirable or not on general principle, it is doubtful whether

it would be politic to connect a new departure of this nature with the termination of the war and to restrict it to imports coming from the defeated country. It should not be forgotten that complaints as to bounties have not been confined to goods from Germany ; and it is highly improbable that the German Government will be able to find money for this purpose in the immediate future.

The imposition and collection by the Allies of an export duty on German manufactures, during a fixed term of years, is a somewhat fantastic proposal which is not likely to receive much consideration. It may well be doubted whether it would not injure the British consumer more than the German manufacturer. But the overwhelming objection is political. The scheme would entail the military occupation of ports and frontier railway depôts, involving endless friction and the abandonment of all hope of a settled Europe.

In considering all the various schemes put forward, it is impossible to get away from the fact that fiscal systems are domestic concerns, and the history of the past two hundred years points to the futility of at-

tempting to dictate them, at any rate as between industrially civilised nations. It is something more than a coincidence that tariff wars between nations have seldom synchronised with periods of armament rivalry. It seems to have been instinctively realised that economic rivalries must be pursued by economic methods and not by the use of military power to modify fiscal relations. Whether open ports or retaliatory duties provide the best weapon with which to fight hostile tariffs is a matter of controversy ; but that they cannot be fought by army corps and battleships is tacitly admitted by the policy of statesmen. Whatever may be the future commercial relations between the Allies and the Germanic Powers, it is very doubtful whether anything would be gained by reversing this policy and using the opportunity of military victory to dictate fiscal rearrangements. It would, at any rate, set a dangerous precedent which might be followed by other States in the future with less justification.

It has already been suggested that in any territorial rearrangements the economic factors will have to be taken into account. It would be a disastrous error to allow an ex-

clusive preoccupation with questions of race and language to result in such a redrawing of boundaries as would sever the connection between any great seaport and the districts for which it is the natural outlet. The result would be ruinous alike to the port and the hinterland. The interposition of arbitrary bars to the economic development of any people is equally injurious to the general commercial prosperity of the world and productive of political friction. In cases where geographical and economic considerations conflict directly with the principle of nationality and the political desires of the inhabitants of any great coast town, the best solution seems to be its establishment as a free port. It may either become a little self-governing community or pass under the national flag of its inhabitants, but it must not be shut off, by inclusion in any new tariff zone, from the commerce of the hinterland.

There remain to be considered a few financial details of the settlement. Any suggestions for the confiscation of interned ships and of the sums held in trust by the Public Trustee must be severely discountenanced in all cases where they are not clearly forfeit.

The monetary sums involved would be comparatively trifling, the moral issue is of the highest importance. We have gone into this war to uphold the sanctity of law, and it would be better to err on the side of generosity than to give the slightest colour to those accusations of hypocrisy which are made by our enemies. Completely to disprove these allegations will be a moral triumph greater even than our military victory.

The same considerations will guide us in dealing with the question of patent rights and of compensation in respect of all patents for which special "licences to manufacture" have been granted. Apart from the moral aspect of the question, it must be remembered that patent arrangements are reciprocal and that we should lose more than we gained by repudiating them. We are bound by a convention with regard to patents which includes not only Germany but many neutral countries, and it is to our own interest that it should be scrupulously observed.

On the other hand, there seems to be no reason why claims for compensation in respect of acts of war which are contrary to the recognised laws of warfare should not be presented and assessed by the Hague Tribunal

or by any impartial arbitrator. And while we shall scrupulously observe our own obligations with regard to sums and property held in trust, we shall exact an equally scrupulous performance of such obligations by the enemy. It would, however, be a grave political error to constitute ourselves judges in our own cause by confiscating sums held in trust for the purpose of providing such compensation. Breaches of the law by our opponents constitute no argument for its non-observance by ourselves. Moreover, the damages committed are a State liability which cannot justifiably be wiped out by the confiscation of private property.

It will be noted that the economic factors of the settlement have been treated mainly in connection with political considerations. In truth it is impossible to sever the connection between the two. The doctrine that the fundamental object of all government is to promote the good of the governed has lifted commercial activities into the political sphere. We have begun to discover how large a part economic considerations—which include the possibility for the mass of the people of decent conditions and a fair standard of living—play in the promotion of national health and

character. No government which exists to promote the good of the governed can afford to despise economic questions as sordid.

In the field of international politics the part played by economics is equally great. The trade and finance of the modern world are built up upon a system of international exchange and international credit, the results of which cannot be neglected in any estimate of the political situation. Their tendency has undoubtedly been to increase the dependence of each country upon others and to promote the growth of co-operation between peoples. The surplus capital of a highly developed country goes to develop the resources of a newer State. The products of a manufacturing community go to pay for the food of those who make the goods and the raw materials of which they are made. Through the facilities given by the credit system a single transaction may touch the commerce of half a dozen different countries. Without entering into a detailed discussion of the theories which have been based on these phenomena, it may fairly be said that they cannot leave the relationships of nations unmodified. They have created common interests which express themselves daily in the

Congresses of Bankers, of Shipowners, of the leaders of different industries. They express themselves more subtly on the Stock Exchange and in the markets.

It is not to be supposed that the community of interests thus created will override the considerations of honour, of nationality, of the desire for political liberty. So much is proved, if it needed proving, by the very war in which we are engaged. It was never supposed or claimed that they did supersede these things by real students of the new factors in international relations, however their teaching may have been distorted by those who half understood it. But the better understanding of international economics has done two things: it has shown that the spirit of conquest and domination operates as disastrously in the economic as it does in the political sphere, and it has emphasised the community of interests which already existed among all nations who desired to develop their own civilisation under a reign of law and order, undisturbed by the incursions of lawless force. The commercial partnership of the nations has intensified the convictions of a real community of States, which is the foundation of those principles

for which the Allies are fighting. It is, therefore, a factor which must be taken into account in the framing of the settlement, and its effect will be to reinforce and to facilitate the operation of those considerations which we have already discussed.

CHAPTER VII

THE EUROPE OF TO-MORROW

WE have assumed throughout the course of this analysis that the preservation of peace between the nations of Europe is an end in itself desirable. If we do not believe this there is very little object in our striving for a settlement which shall be free from provocation to future wars. The point indeed appears to be pretty generally conceded, for the straightforward advocates of war for war's sake are few and far between. It is easy to show that war gives an opportunity for the display of splendid virtues, of heroism, of self-sacrifice, of determination. It is easy to point out that it is better to accept the evils of war than to acquiesce in injustice for the sake of peace. But this is a different thing from contending that war is in itself desirable. The advocates of war for war's sake have yet to show us that any party to the present struggle could secure from it

material advantage proportionate to its appalling cost. They have yet to show us that successful aggression makes for the uplifting of national character ; that a German victory would make for the greatness of the German people. Rather we believe that in gaining the world Germany would have lost her own soul. If we regard our own exertions in the war as a worthy expression of the national spirit, it is because these exertions are animated not by love of warfare, but by a determination to curb and quell the operation of that spirit from which wars arise—the spirit of domination, of conquest, of aggression. We are putting forth our full might against the might of Germany just because we do not believe in the rule of might. That is why we shall use our victory not to settle disputed questions by the sword, but to clear the way for their settlement in accordance with the dictates of justice and public right. In other words we have no object in view at the end of the war other than to secure those conditions which a wiser European statesmanship might have secured without recourse to war. We have no wish to upset any territorial arrangements, any national institutions which are the result of

free and natural growth, which represent the legitimate national aspirations of any people. We do wish, now that this war has been forced upon us, to use the opportunity it has given us to get rid of arrangements and institutions which have their basis in force and not in right, to limit the power of fanatics of force to threaten the peace and liberties of Europe. Many of us acknowledge with contrition that we ourselves have not been without blame, that our own policy has been coloured by that atmosphere of jealousy and suspicion and intrigue which the theory of national rivalry and the arbitrament of force so readily creates. We do not believe that true patriotism calls us to shut our eyes to the errors of the past, for only by seeing them clearly can we build up a better policy for the future. Yet on the whole we feel that we are justified in believing that we stand in this war for something better than the mere conflict of armed strength with armed strength. We stand for the supremacy of those principles of agreement, of public law, of liberty and justice upon which the British Empire has been built. While every British citizen to whom his citizenship, with all its traditions and all its obligations, is dear, must

look with an eager longing for the success of the British arms ; while our blood is fired by the heroism, the dogged persistence and loyalty of our Allies ; we look forward to their victory with a peculiar hope, in the belief that it will be followed by a peace which shall represent the victory of those ideals which are the very salt of our national and Imperial life over the ideals upon which the Hapsburg and Hohenzollern philosophy of force and domination is based.

It must be remembered that something more is implied in this than the mere avoidance of future wars. It implies also some relief from the burden of armaments which has pressed so heavily upon the nations of Europe during all the years of peace. The money cost of this burden is stupendous, but its significance is not to be reckoned in terms of the Income Tax. Even the actual money cost, indeed, is not so sordid a consideration as we are sometimes led to think. It means not merely that the capitalist or the bourgeois bears a heavier taxation, but that thousands of millions of pounds yearly are being expended upon objects which do indeed provide immediate wages, but which are not reproductive, and that millions of

able-bodied men are diverted, during two or three of their best years, from productive employment. It represents so much capital and labour withdrawn from the economic development of the world. This is reflected not merely in the diminution of the sums available for the measures by which we strive to alleviate distress, but in lessened productivity, decreased purchasing power, and a lower standard of life. The whole question of economic development is bound up too closely with questions of national health, with the happiness and well-being of the people in the widest sense of those terms, for any such drain upon national resources to be dismissed as a mere matter of pounds, shillings, and pence. But the most serious feature of the armament burden is the diversion of so much ability and attention, so much inventive, organising, and administrative skill to this one problem. The appliances of modern warfare—the quickfirer, the torpedo and the siege gun, the *Dreadnought* and the submarine, high explosives and up-to-date fortification—represent the highest triumphs of mechanical and engineering genius. The preparation of strategical plans to meet every possible contingency, the speeding up of

mobilisation, the general "organisation of victory," occupy the exclusive attention of some of the best brains of Europe. The naval and military professions absorb much of what is most devoted and self-sacrificing in every country. The constant preoccupation with problems of defence, with the averting of war or preparation against it, claims an immense share of the energies and abilities of statesmen, of the attention and patriotic devotion of citizens. It is a commonplace that efficiency in war and in that foreign policy which is dominated by the threat or fear of war is most easily obtained by methods of government which are not conducive to the development of national institutions and liberties in peace. The necessity for military efficiency has warped the governments of Europe by imposing upon them a tendency to centralisation, secrecy, bureaucracy, which, while it may make for success in war, goes far to render war imminent and peace sterile.

Hitherto, all proposals for mutual limitation or regulation of armaments have failed because the conception of the European nations as rival units, or groups of rival units, rendered anything like mutual trust or agreement between them impossible. Every

nation felt that in the last issue its independence and prosperity depended upon its own armed strength, and while any one of a score of vexed questions might at any moment plunge Europe into war, no Power dared place any limit upon the measure of strength which it considered necessary. The attempt to limit armaments was indeed a beginning at the wrong end, an attempt to alleviate a symptom without curing the disease. Armaments and war itself are the expression of policy, and if Europe is to curtail the risk of war and diminish the burden of armaments, it will only be by the adoption of a wiser policy in the relationships of the European nations.

We have seen that at the Congress of Vienna the Tsar Alexander I put forward a scheme by which, in effect, the relation of the European States should be regulated by a Confederation of the Great Powers, guaranteeing both the external and the internal *status quo*, and prepared to enforce the decisions of its Council by armed intervention. This scheme was strongly opposed by the British Government, partly on the ground that it represented an unwarrantable interference with the sovereign rights of States,

partly because it involved a guarantee of governments which had no moral justification, partly through a well-founded fear that it would become a mere instrument of tyranny in the hands of the continental autocracies. The plan adopted in its stead was simply the protection of existing territorial arrangements by a series of treaties. That plan, as we have seen, failed to secure permanent peace because it was based on an artificial arrangement of frontiers and ignored the rights of nationalities. Nevertheless, as Mr. Alison Phillips has said, "it was by no means wasted effort. . . . It preserved peace during the critical years following the fall of Napoleon, and so gave to Western Europe the opportunity for that marvellous industrial and economic development which was to change the face of the world. It did more than this. It set the tradition of that feeling of common interests among nations the growth of which is the strongest factor making for peace." ¹

Since the days of the Congress of Vienna the common interests of nations have become much more obvious, and it is worth while asking whether an attempt cannot be made

¹ *The Confederation of Europe*, pp. 298-9.

to give them some expression more permanent, because founded on a more natural basis, than that of the Vienna treaties.

It is at least possible that the settlement at the end of this war will get rid of the more active sources of European unrest. Whether or no all the vexed questions to which reference has been made will be settled, we may at least hope that the more burning of them will have been closed and that precedents will have been set by which the settlement of the others can in time be regulated. This of itself may be expected to operate in the direction of a slackening in the armament competition, by removing causes of conflict. Mr. Winston Churchill has indicated very clearly the connection of cause and effect in this matter :

Let us, whatever we do, fight for and work towards great and sound principles for the European system. The first of these principles which we should keep before us is the principle of nationality—that is to say, not the conquest or subjugation of any great community, or of any strong race of men, but the setting free of those races which have been subjugated and conquered. And if doubt arises about disputed areas of country, we should try and settle their ultimate destination in the reconstruction of Europe which must follow from this war with a fair regard to the wishes and feelings of the people who live in them. This is the aim which, if it

is achieved, will justify the exertions of the war . . . and will give to those who come after us . . . a better and fairer world to live in and a Europe free from the causes of hatred and unrest which have poisoned the comity of nations and ruptured the peace of Christendom.¹

We want this war to settle the map of Europe on national lines, and according to the true wishes of the people who dwell in the disputed areas. After all the blood that is being shed, we want a natural and harmonious settlement, which liberates races, restores the integrity of nations, subjugates no one, and permits a genuine and lasting relief from the waste and tension of armaments under which we have suffered so long. . . . Let us have a fair and natural adjustment of European boundaries. Let us war against the principle of one set of Europeans holding down by force and conquest against their wills another section.²

The triumph of the national principle over that of force and domination will not, however, be sufficient of itself to put an end to that fear of aggression which breeds armaments. Even though causes of conflict be diminished, France with her stationary population will still fear Germany with her high birth-rate. Germany, with no strong natural frontier to the east, will still fear the immense

¹ London Opera House speech, *Morning Post*, September 12, 1914.

² Interview given to *Giornale d'Italia*. Text issued by Official Press Bureau: *Times*, September 25, 1914.

strength of Russia. The Allies will be apprehensive of a German war of revenge. Germany will live uneasily under the shadow of their predominance.

The rearrangement of frontiers on natural lines, and the disappearance of many points of dispute, may, however, pave the way to a step which would modify very profoundly the relations of the European States. By sweeping away those instances of domination which have caused most of the so-called conflicts of rights and interests, it will leave the nations free to seek those common interests which are every day becoming more dominant and the greatest of which is security against aggression. Whatever we may think as to the extent to which the doctrines of the Prussian militarists had penetrated the minds of the German people, there can be no doubt that the main instrument by which they were able to drag the German people after them was fear—fear of a French *revanche*, fear of a Russian invasion, fear of British naval power—fear largely baseless, excited by unscrupulous misrepresentation, manipulated by the militarist clique for their own purposes, but in itself genuine and only reproducing in an exaggerated form the mutual suspicions

on which European diplomacy has been based. On the side of the Allies we have seen that the realisation of this common interest, the desire for protection against aggression, has proved sufficient to bring together in loyal co-operation for the attainment of a common end Powers which within the memory of living men have been divided by the most acute friction, by actual war. Why should not this common interest be made the ground of a more extended co-operation? The idea is not a new one. It is this realisation of a common interest in the preservation of peace which has inspired those gatherings of the Concert of Europe, which however clumsy and ineffective in their working, did at least avert the outbreak of more than one great war. On July 30, 1914, Sir Edward Grey wrote :

If the peace of Europe can be preserved, and the present crisis safely passed, my own endeavour will be to promote some arrangement to which Germany could be a party, by which she could be assured that no aggressive or hostile policy would be pursued against her or her allies by France, Russia, and ourselves, jointly or separately. I have desired this and worked for it, as far as I could, through the last Balkan crisis, and, Germany having a corresponding object, our relations sensibly improved. The idea has hitherto been too Utopian to form the subject of definite proposals, but if this present crisis, so much more acute than any

Europe has gone through for generations, be safely passed, I am hopeful that the relief and reaction which will follow may make possible some more definite *rapprochement* between the Powers than has been possible hitherto.¹

It was too late to preserve the peace of Europe in the present case, but there seems to be no reason why such an attempt should not be made successfully after the war. Whatever the results of the war, it will leave the nations of Europe exhausted and sick of conflict. Governments and peoples alike will be in a mood to listen to any proposition which gives reasonable assurance of a period of recuperation in which the ravages of war may be repaired and the normal life of the world restored. We may be sure that among the mass of the people in every country there will be something more than this. There will be a revolt—possibly inarticulate and unformulated, but deep and strong—against the whole idea of war. So long as the struggle continues, the people of all the belligerent nations will continue to bear and to do whatever is required of them by their country. We assuredly shall not flinch from our task. We shall not render vain the outpouring of

¹ White Paper, Miscellaneous No. 6 (1914), No. 101.

our blood and treasure by stinting the supply either of treasure or of lives. Nor is there any reason to believe that our opponents will prove themselves less grim of purpose. But when once the stimulus of the struggle has been removed the reaction will set in and that reaction will be in proportion to the vastness of the conflict, the appalling extent of the bloodshed, the wide sweep of its devastation. Men will not turn readily from this to the piling up of a preparation for the next war. Yet if the old rivalries and the old fears continue to dominate the outlook of nations, what else is there for them to do?

Here surely there is an opportunity for constructive statesmanship, a call upon the wisdom of the nations which must receive its response if we are not to confess the total bankruptcy of civilisation. Mr. Balfour, in his speech at Bristol on December 12, 1914, asked: "Was it not essential that we should come to an understanding as to how international relations were to be conducted?"¹ It is a pertinent question. We have seen the results of not knowing. Only by learning "how" shall we escape a repetition of these results.

We have seen that behind all the super-

¹ Reported in *Times*, December 13, 1914.

ficial causes of the war there lay that doctrine of the necessary rivalry of nations, of the law of struggle, which is indeed the root-cause of all war, as it is the foundation of the militarist philosophy against the exponents of which we are fighting. In his speech already quoted Mr. Balfour laid his finger on the fatal flaw in that philosophy: "It was absolutely inconsistent with the true notion of a great community of nations."¹ It is the denial of this community of nations which has given us the whole system of conquest and domination, of mutual fear and suspicion, of armed rivalry and aggression, which led to the present war. If we are to avoid a repetition of the catastrophe, we must recognise the existence of this community—a community based on common civilisation, on commercial interdependence, on intellectual contacts, and above all on common interest in peace and the security of national independence. To come back to the hypothesis of our first chapter, we must consider international relations in the light of a conception of human society based not on struggle but on co-operation.

Such a conception, translated into the field of politics, involves in Mr. Asquith's words:

¹ Reported in *Times*, December 13, 1914.

The substitution for force, for the clash of conflicting ambitions, for groupings and alliances, and a precarious equipoise, the substitution for all these things of a real European partnership, based on the recognition of equal rights and established and enforced by a common will.¹

The first practical step towards giving expression to this recognition of a community of nations is hinted at in Sir Edward Grey's despatch, quoted above. He suggests as the object of his endeavours "some arrangement to which Germany could be a party, by which she could be assured that no aggressive or hostile policy would be pursued against her or her allies by France, Russia, and ourselves, jointly or separately." The idea had for some time been entertained in quarters of very great weight and experience that the most hopeful solution of the European problem would be found in a definite *rapprochement* of the Triple Alliance and the Triple *Entente*. If the two groups, each providing for the co-operation of three great States, could be brought together, there would be an effective organisation of the Concert of Europe which would render the peace of the world more secure than at any previous period of its history and would

¹ At Dublin. Reported in *Times*, September 26, 1914.

necessarily imply a marked relaxation in the competition of armaments.

It is in this idea that we may hope to find the solution of the greatest of all the problems of the settlement. The end of the war will find, upon the one side, an alliance embracing Great Britain, France, Russia, Belgium, Serbia, and Japan ; possibly Italy and Roumania—an alliance cemented by loyal co-operation in a gigantic task and by great sacrifices cheerfully shared in pursuance of a great ideal. On the other side will be Germany and Austria, stripped probably of all or many of the provinces which they have dominated, but retaining their national integrity and freed, by their very losses, from their gravest sources of unrest. The most acute questions of European controversy will, we may hope, have been settled upon natural and therefore upon permanent lines. There will remain only the fear by the Allies of a German revenge and by the Germans of an aggressive use of the Allies' predominant power. An attempt by the Allies to secure peace by imposing a one-sided limitation of armaments upon Germany would be foredoomed to failure and is not likely to be seriously considered by practical statesmen, how-

ever it may appeal to amateur politicians. Any proposal put forward for limitation by agreement will be countered by the German military party with an appeal to Teutonic fear of the Slav menace. Yet both sides will be exhausted by the struggle and longing for peace. Is there any reason why the Allies, having crushed the German attempt to secure predominance in Europe, should not offer them admission into an alliance of all the European States, a community of the nations based on those principles of national liberty and public right for which we have been contending ?

It is hardly conceivable that such an offer should be rejected by the defeated Powers. So long as the present Alliance against them remains intact, the idea of improving their position by a war of revenge must remain at best the wildest of gambles, even if the bitter lessons of the war have not disillusioned them as to the advantages of a policy based on sheer force. The hope of world-empire is lost to them. The parties which have always opposed this vain dream of the military clique will have been strengthened. On the other hand, the Alliance would offer them protection against any fear that the military victory of the Allies would be followed by a policy

of aggression on their part. It would secure to the Germans, as it would secure to the British, to the Belgians, or to the French, their national independence, freedom to pursue their own path, to develop their own national institutions and culture and commerce, undisturbed by the haunting fear of invasion and subjugation.

In order that such an alliance should form a real assurance of security not only to the Germans but to the nations recently in arms against them, it should, logically, be the subject of a definite treaty, embodying a joint and several guarantee by all the contracting Powers of the independence and security of each. An act of aggression by any one Power would thus not merely place it in the position of violating its own pledges, but would constitute a *causa fœderis* justifying joint action by all the remaining Powers. It would be at the option of these Powers to delegate military action to those most immediately concerned or most favourably situated, but the aggressor could look to none of them for support or even for neutrality. By an attack upon any member of the Confederation he would in fact be defying the united strength of Europe.

Any absolute guarantee would probably be limited to the actual independence and territorial integrity of the respective States. No pledge could or should be given to support the authority of an existing government over any section of its subjects whom it had failed to assimilate and who desired to transfer their allegiance. There would be no repetition of that policy of intervention in internal affairs which was the aim of the Holy Alliance. But the mutual guarantee of territorial integrity against forcible conquest would go far to assure the peace of Europe. States would not arm themselves for the conquest of provinces which they could only retain with the consent of the inhabitants. Other causes of quarrel, however, would remain ; and in many cases it would be difficult to decide which party was in fact the aggressor. A guarantee by which each Power was compelled to take up arms against the aggressor might very well divide Europe into two hostile camps. To meet such cases it should be possible, without resort to an elaborate constitution, to devise some simple machinery for conciliation and delay. Refusal to submit a case for discussion by representatives of the Powers, or to accept proposals for mediation, would consti-

tute a *causa fœderis* compelling, or at least justifying, joint action. The desire to get in the first blow which has contributed more than anything else to render a pacific settlement of disputes impossible would thus be counteracted by the fear of setting in motion the whole forces of the Alliance against a recalcitrant Power. There are few disputes which would prove incapable of compromise if a period of consideration could be secured ; and if, on occasion, all attempts at conciliation should fail, no State which had rejected them could look for help to any member of the alliance.

It will be objected that treaties as definite and guarantees as solemn have in the past been torn up or disregarded and that the mutability of alliances is a commonplace of history. To this it might be replied that the action of the Allies in the present war has afforded a lesson not likely to be forgotten of the risks involved in assuming that civilised Powers will fail to act up to their engagements. But the real answer to this objection goes much deeper than this very obvious retort.

Alliances in the past have been limited in their scope to an association of a number of Powers for the attainment of certain definite

ends or for mutual protection against some definite danger apprehended from a rival group. They have been, in fact, the instruments of a mutable and uncertain policy for the pursuit of temporary advantage. Behind all the alliances and treaties there has been the conception of a perpetual rivalry of nations, imposing the necessity of creating an artificial and precarious balance, by playing off Power against Power and group against group. At any moment a shifting of the European equilibrium or the emergence of some new source of discord might change the whole face of politics and upset the unstable equipoise of the Powers. So long as the nations of Europe were divided into rival groups, conscious, even in times of the most profound peace, of a latent struggle for mastery, no group could consider its margin of safety certain. Hence the perpetual shifting of alliances and *ententes* by which the various governments sought to attach themselves to the group which for the moment seemed the stronger, or to counterbalance the predominance of a rival. Hence, too, the doctrine of an overmastering necessity which subordinated even the sanctity of treaties to the instinct of self-preservation.

But with the merging of all the groups in a European alliance based upon the one great common interest of security, the cause underlying these shifts and changes of policy would disappear. The protection afforded to each Power by a faithful observance of the treaty by all the contracting Powers would be incomparably greater than could be obtained under the old conditions by any manipulation of the balance. The advantage of enjoying this security and the risk involved in an act of treachery to the alliance would both be out of all proportion to any advantage which could be anticipated from successful aggression. Thus, in the case of each Power, the motives prompting good faith would be far stronger than any temptation to bad faith which could be offered. It would be in the power of the alliance at any moment to bring diplomatic and economic pressure to bear upon a recalcitrant member which would, of itself, probably obviate the necessity for recourse to arms. Even if we assume the possibility of a State which contemplated aggression intriguing with others to join it in tearing up the treaty, the advantages to each Power of its preservation would almost certainly prevent the formation of a minority

group strong enough to defy the community with any hope of success. The whole weight of inertia, the instinct of self-preservation, would be thrown upon the side of peace and reinforced by a weight of moral sanction, a tangible embodiment of the public conscience, which even the boldest would hesitate to violate.

We may therefore say that such an alliance would offer to Germany a real security against that Russian peril which has been the trump card in the hands of her militarist party and in which the mass of her people genuinely believe. The peril may be and probably is largely imaginary, but the actions of nations, as of individuals, are guided by their beliefs, and this belief is perhaps not more baseless than others which have before now dominated the policies of great Powers and plunged Europe into disastrous wars.

It may be said that it is not our business to secure Germany against phantom dangers or to consider the susceptibilities of those who have disregarded so ruthlessly the rights of others. But practical statesmen cannot afford themselves the luxury of treating with contempt the fears of a powerful nation. Whatever disaster the German arms may

suffer, there will remain some eighty millions of German-speaking people. Unless we can show them some more excellent way of achieving security we may be faced by the menace of these eighty million people, not merely animated by resentment, but rendered desperate by fear—and recent acts of the German Government afford a striking example of the psychology of panic—working with all the energy and tenacity of which they have shown themselves capable to re-establish their position. Such a menace would impose upon the Allies the necessity for counter-preparations. We should be faced with a certain continuance of the armament competition and the possibility in ten, fifteen, or twenty years' time of a renewal of the struggle. To avert this is surely a worthy object of statesmanship.

It is not, however, merely for the preservation of their own safety and interests that the Allies are fighting in this war. They are fighting also for the liberties of the small States, and a settlement which left these liberties insecure would not be accepted as a satisfaction of their declared aims. There are two ways in which these rights might be provided for. In the first place, having

regard to the extent of the common interest in the security of the peace of Europe against disturbance, it might be found desirable to extend the *causa fœderis* to an act of aggression against any recognised European State. In the second place, there seems to be no reason why the small States should themselves be excluded from direct participation.

It is not clear that it would be desirable for the members of the alliance to be greatly multiplied, and it is conceivable that its inclusion of a large number of weak and unstable Powers might constitute a source of weakness rather than an addition to its strength. There is, however, an alternative by which this difficulty might be avoided. In speaking of the Balkan States, it was suggested that a revived and enlarged Balkan League, founded on an equitable settlement of existing differences, and strengthened by the expansion of Serbia and Roumania to their natural boundaries, might form a stable and useful element in the European system. It is by no means impossible that the common interests of the Scandinavian Powers, emphasised by the events of the war, may result in the formation of a Northern Confederacy. It is such confederations of the smaller Powers, unifying

their interest and giving increased weight to their policies, which might best enable them to come definitely into the alliance of Europe. Where such confederations are impossible, it would perhaps be best to secure the liberties of the smaller nationalities by neutralisation and the guarantee of the Powers.

The suggestion of a European alliance falls short of what is in the minds of many earnest students of international relations. What they have in view is nothing less than the setting up of a United States of Europe, with a permanent council, having legislative powers, an international tribunal for arbitrating on all disputes between the States, and an international army or police to enforce the decisions of the tribunal.

The practical difficulties in the way of any such proposal are sufficiently obvious. How far would the powers of the Council override the sovereign rights of States? Would any such limitations of their power be accepted by the governments concerned? On what basis would representation on the Council be arranged? Would the great Powers consent to equal representation of the smaller States? If not, how could the smaller States be protected against the possible tyranny of the

great Powers? How should the tribunal be composed? What law should it administer? Of what offences should it take cognisance? How far should its functions be mediatory? How far should they be mandatory? Would it be possible to create an international force capable of overcoming or over-aweing national forces? Would such a cosmopolitan force have sufficient cohesive power? Could the contingents of States interested in any dispute be relied upon to enforce a decision of the Court? What limitations should be placed on national armaments? Could such limitations be enforced? These and many other questions rise at once to the mind. The difficulties of solving them and the possibilities of friction which they involve are obvious. They would be great indeed, even were the proposal put forward during a time of profound peace. They would be enormously increased if it were attempted to embody them in the settlement after a great war. No constitution imposed upon Europe by force could hope to be permanent; its imposition would certainly be desperately resisted, and even if this resistance could be overcome the result would be the establishment of a tyranny rather than

the creation of a free community. Sooner or later the system which the sword had established would be overthrown by the sword, and Europe would relapse into chaos. Indeed, the circumstances would be most unfavourable even for the discussion of any elaborate constitution. It would be almost impossible to avoid the appearance of dictation in any proposals put forward by the Allies. The friction which would inevitably arise over the details of the scheme would be accentuated by the passions aroused by the war. Anything like unanimity among the nations on many of the points involved would be impossible ; and anything much short of unanimity would be fatal to the success of the project.

There is, however, a fundamental objection to the idea of putting forward such schemes at the peace. There is nothing, perhaps, more fatal to the healthy development of political institutions than prematurity. In the main those institutions which have stood the test of time have been things of gradual growth. The British Constitution, evolved by centuries of experiment and adaptation to changing circumstances, has shown, despite all its defects and inconsistencies, a

stability and elasticity denied to more theoretically perfect systems which sprang fully grown from the brain of some political Zeus. The more difficult the problem to be solved, the more complex its factors, the greater is the need for caution, for proceeding step by step. Omissions, in the political field, are easier to remedy than a false move; and while imperfect institutions may be modified by the process of peaceful change, an elaborated system which fails to stand the test of experience usually requires the rough remedy of revolution.

If we examine the growth of law and order in the evolution of civilised society, we shall find that in every case the community has preceded the law, and the law has preceded the executive. It was not until men had learned by experience and had come to value the benefits of association that they began to devise rules for the conduct of the society; it was not until those rules had firmly established themselves as an expression of the common will, that an executive was created to enforce them. Sir Frederick Pollock has drawn the analogy in this respect between the law of nations and the civil laws:

Certain writers, again, for the most part in England, have assumed that the law of nations has a merely

fictitious existence because it lacks a cosmopolitan judicial Court, with power to decree execution and to enforce the decrees. So far as there is anything more in this contention than a dispute about verbal definitions, it seems fit to be considered that in the early history of all systems of law the executive power at the disposal of Courts of Justice has been rudimentary. We now understand that civil justice was originally rendered only by virtue of the parties having submitted to be bound by the judgment in the particular case ; and even at a much more advanced stage, we may find Courts which have an elaborate constitution and procedure, but no compulsory powers at all.¹

Sir Frederick goes on to quote as a classical example the society of Iceland in the Middle Ages. One of the most striking features of that society, as depicted in the Sagas, was its elaborate and complicated legal system. Yet the reader is struck by the fact that this elaborate system of law was evolved by a society which possessed neither a centralised government nor an executive of any kind ; which had been founded indeed by refugees from the attempt to introduce a centralised government into Norway. The validity of the law depended on the voluntary consent of the independent freeholders ; and the only power which could enforce the law, or the

¹ *The Modern Law of Nations and the Prevention of War*, in *The Cambridge Modern History*, vol. xii. p. 713.

decisions of a freely chosen arbitrator, was that of the community itself. The man who defied the law was dealt with by declaring him outlawed—by depriving him of the benefits and protection of association with his fellows. We have only to conceive the position of a nation which was thus treated—apart altogether from the operations of military force—to see how strong a sanction the community of nations could create.

It is true that international law has hitherto exercised only a very partial restraint upon the actions of States. Yet the ameliorations which it has introduced into the conduct of civilised Powers has been one of the outstanding phenomena of history. As was said by Sir Henry Maine :

What we have to notice is that the founders of international law, though they did not create a sanction, created a law-abiding sentiment. They diffused among sovereigns, and the literate classes, in communities, a strong repugnance to the neglect or breach of certain rules regulating the relations and actions of States. They did this not by threatening punishments, but by the alternative and older method, long known in Europe and Asia, of creating a strong approval of a certain body of rules.¹

¹ Quoted by Sir Frederick Pollock, *op. cit.* p. 711.

The indignation excited by breaches of international law in the past few months is itself an indication of the strength which this "law-abiding sentiment" has attained.

The fact that international law has not been more effective in preventing crimes committed by State against State is due to the fact that hitherto no real and acknowledged community of nations has existed. So long as the Powers were divided in precariously balanced and presumably hostile groups, no such community was politically possible, though every year has added to the strength and realisation of intellectual and economic interdependence. The political community was rendered impossible also so long as States were divided into those which represented genuine national units and those which were based on an artificial domination of one nationality over another. An alliance of all the Powers, based on a previous settlement of those questions which involve national liberties and on a genuine attempt to substitute agreement for force in the decision of colonial and economic questions, would create for the first time a real international community.

With an advance so great, it would be well

to be content. There is every reason to believe that it would be sufficient of itself to secure at least a period of European peace, a period which should suffice for the creation of a sense of common interests and common obligations impossible under the old conditions. It would be well to leave the perfecting of international law, and the evolution of whatever machinery of councils or tribunals may prove to be desirable for its enforcement, to the operation of these forces. We may be sure that the community of nations, once created, will evolve for itself the instrument of its common will. Any attempt to devise these instruments at the present stage might create friction which would render the community itself impossible. The attempt to impose them upon unwilling States would certainly stultify the whole scheme. If it should prove impossible to effect the alliance of all Europe, it would at least be possible to include all States which were willing to come in and to strive for such an *entente* with the remainder as would facilitate their subsequent admission.

While anything in the nature of a legislative council would belong to a later stage of development, the formation of the alliance

would undoubtedly imply discussion and co-operation between the governments of the States concerned. A consultative council meeting at stated periods for the discussion of affairs affecting common interests would be free from the objections to a premature attempt at definite organisation. Even if no formal council were created, the ordinary channels of political intercourse would provide sufficient opportunity for co-operation to emphasise and to give effect to the feeling of unity. Fiscal and colonial questions would be rendered easier of adjustment. Co-operation in the formation of maritime codes and questions of international trade and communication would be more frequent and more effective. The laws of war, the rights and duties of belligerents and neutrals, might be freed from the vagueness and uncertainty which at present surround them and placed under the protection of the alliance. Above all, mediation and arbitration on all points of dispute would be facilitated. A consultative council, or even a conference of delegates from all the allied Powers, would provide that machinery for conciliation which has already been forecast. While the present Hague Tribunal would remain open to States

desirous of submitting their differences to arbitration, the obligations of the alliance would entail at least the submission of all disputes for discussion by such a council or conference before the commencement of hostilities.

The very formation of the alliance and the security of its guarantee, combined with the disappearance of so many causes of friction, would of itself lead necessarily to a slackening in the competition of armaments, a diminution, possibly tentative at first and gradual in its development, but capable of definite extension, as the new security became more and more appreciated. But the opportunities given by the consultative council, or by the co-operation of the governments, for exchange of programmes and discussion of policy would almost certainly pave the way for definite agreements as to limitation of armaments. The Rush-Bagot Treaty for practical disarmament upon the Great Lakes, under which the security of a frontier of 2,000 miles has been maintained for a hundred years not by mutual preparation for war, but by mutual preparation for peace, would provide a precedent which would almost certainly be followed when once the realisation

of common interests had begun to affect the policies of the Powers. It is certain that any successful attempt to remove the armament burden must be found along these lines, and not in the imposition by sheer military force of one-sided restrictions. The nations of Europe will disarm when, and only when, they are convinced that great armaments have ceased to be essential to their security.

Mention of the Rush-Bagot Treaty reminds us that before the community of nations can be considered complete it must include the extra-European powers of the civilised world. The present war has revealed very clearly to Americans how deeply they may be affected by the events of European politics. It has revealed no less clearly how deeply the European nations are interested in the opinions and attitude of the United States. The economic and intellectual ties which bind together the Old and the New World are every day growing in strength, and the inclusion of America in the alliance, or at least a definite *entente* between the European Powers and the Government of Washington, would add greatly to its value. It is not likely and it is not necessary that the United States Government would commit itself to

military action in support of any guarantees contained in the Treaty. But it is impossible to overlook its possibilities of economic pressure. Organised non-intercourse, the "outlawry" of a recalcitrant Power, is a method which has never yet been tried on any considerable scale. It is probable that it could be applied with tremendous effect, and it is certain that its operation would be immensely more effective if America were to become a member of the community.

This, then, is the opportunity of the Allies : to settle upon natural, and therefore permanent, lines the questions which have for so long rendered the peace of Europe precarious and to lay the foundation of a community of nations which may ensure to all alike security and peace. Such a settlement would represent the victory of the ideals for which the Allies are fighting over the ideals which resulted in the war. It would replace the theory of force and domination as the ruling principle of international politics by the idea of liberty and co-operation ; it would vindicate the conception of public right and of the free development of nationality ; it would set free for the great work of social progress and

the development of civilisation those energies which have been devoted to the one work of preparation for war. It is not to be supposed that these results would be accomplished all at once or without a continuance of wisely directed effort ; yet if a beginning can be made, if the principle can be established, we may look forward to the future with hope. More important than any definite result which may be achieved at the peace is the spirit in which we approach its problems. To accomplish even the first step in the programme would be a gain which would outweigh, from the point of view of the Allies' own national interests, any advantages to which a policy of selfish opportunism could look ; for it is the common interests of civilisation which embody the vital needs of every civilised people.

We have said that the Utopia of to-day is the practical politics of to-morrow. It will become so only if the practical politics of to-day are animated by a determination to realise the Utopia of the future. The work will require all the practical ability, the sanity, the knowledge of affairs which our statesmen can bring to bear upon it ; it will require also imagination, insight, faith. But

to suppose that it is incapable of accomplishment, that human society is incapable of rising above the level of 1914, would be to admit the failure of civilisation. It would imply a lack of faith disgraceful to the Christian, a distrust of human wisdom discreditable to the Rationalist.

APPENDIX A

THE RACE QUESTION IN AUSTRIA-HUNGARY

TABLE I—THE PROVINCES

	Area in Sq. Miles.	Population. ¹	Character of Population.
Austria :			
Lower Austria .	7,658	3,531,814	Practically entirely German.
Upper Austria .	4,628	853,006	Practically entirely German.
Salzburg .	2,763	214,737	Practically entirely German.
Styria .	8,662	1,444,157	Two-thirds German; one-third Slovene.
Carinthia .	3,989	396,200	Nearly three-quarters German; remainder Slovene.
Carniola .	3,845	525,995	Almost entirely Slovene; a few Germans.
Coastland .	3,078	893,797	About 45% Italian, 30% Slovene, 20% Serbo-Croat; a few Germans.
Tyrol and Vorarlberg .	11,312	1,092,021	Tyrol—about 55% German, 45% Italian. Vorarlberg—entirely German.
Bohemia .	20,065	6,769,548	Two-thirds Czech, one-third German.
Moravia .	8,584	2,622,271	About 70% Czech, 30% German.
Silesia .	1,988	756,949	Nearly half German, a third Polish, the rest Czech.
Galicia .	30,321	8,025,675	Nearly half Polish; about 40% Ruthenian; a few Germans.
Bukovina .	4,033	800,098	About 40% Ruthenian, 35% Roumanian; the rest Germans, Poles and Magyars.
Dalmatia .	4,956	645,666	Serbo-Croat, except about 3% Italians.
	115,882	28,571,934	
Hungary :			
Hungary Proper	109,188	18,264,533	51.5% Magyars. See Table III.
Croatia-Slavonia	16,421	2,621,954	About 100,000 Magyars; the rest Serbo-Croat.
	125,609	20,886,487	
Bosnia-Herzegovina	19,768	1,898,044	Serbo-Croat.

¹ Census of 1910.

TABLE II—THE RACES OF AUSTRIA

(On basis of language, 1910 Census)

Germans . . .	9,950,266	In Lower Austria, Upper Austria, Salzburg, Styria, Carinthia, Bohemia, Moravia, Silesia, the Tyrol and Vorarlberg; also scattered in other provinces.
Czecks and Slovaks	6,435,983	In Bohemia and Moravia. A few in Silesia and Lower Austria.
Poles . . .	4,967,984	Chiefly in Galicia, a few in Silesia.
Ruthenes . . .	3,518,854	In Galicia and Bukovina.
Slovenes . . .	1,252,940	Chiefly in Carniola and Styria; also in Coastland and Carinthia.
Serbs and Croats .	783,334	In Dalmatia and the Coastland.
Italians . . .	768,422	In Tyrol and Coastland; a few in Dalmatia.
Roumanians . . .	275,115	Practically all in Bukovina.
Magyars . . .	10,974	
Others . . .	608,062	
	28,571,934	

TABLE III—THE RACES OF HUNGARY

(Basis of language, 1910 Census)

Magyars . . .	10,050,575	
Germans . . .	2,037,435	
Croats. 1,833,162)	2,939,633	{ In Croatia-Slavonia and in the Banat and Southern Counties.
Serbs. 1,106,471)		
Roumanians . . .	2,949,032	In Transylvania and the Banat.
Slovaks . . .	1,967,970	In the Northern Counties.
Ruthenes . . .	472,587	
Others . . .	469,255	
	20,886,487	

APPENDIX B

THE FRANCO-GERMAN WAR INDEMNITY

SINCE the outstanding historical instance of a war indemnity on a large scale is that paid by France to Germany after the war of 1870-71, it may be of interest, in connection with the general discussion of the indemnity question in Chapter VI, to give some particulars with regard to that transaction. The available information on this subject has recently been summarised by Mr. H. H. O'Farrell in an excellent monograph ¹ from which the following data concerning the payment and expenditure of the indemnity are taken by courtesy of the author, and to which those who wish to follow up the subject are referred.

The amount of the indemnity, it will be remembered, was five milliards of francs (£200,000,000). It was stipulated that it should be paid by fixed instalments covering a period of three years, during which a German army was to remain in occupation of a considerable portion of French territory.

¹ *The Franco-German War Indemnity and its Economic Results*, by Horace Handley O'Farrell. (Harrison & Sons.)

The losses of Germany through the war, direct and indirect, were estimated by Sir Robert Giffen at about £115,000,000 (of which some £25,000,000 were charged to revenue), thus showing an apparent capital gain to Germany in the neighbourhood of £100,000,000. The indemnity was thus designed not merely to recoup the war expenditure of the conquerors, but to provide them with a profit and to weaken the vanquished State. Mr. O'Farrell points out that the conditions of payment were designedly rendered onerous. The instalments were required to be paid on the exact dates when they became due, neither delay nor prepayment being allowed. They were to be paid in German coin or in bullion; but English, Prussian, Dutch, or Belgian banknotes or first-class commercial bills might be provisionally accepted. The latter, however, did not constitute a definite payment until their value had been realised and converted, at the cost of the French Government, into German currency.

Interest at 5 per cent., payable annually in advance, was exacted on the last three milliards, subject to the right, under certain conditions, to accelerate the final payment. The French Government took advantage of this privilege, and the whole indemnity was paid off on September 5, 1873—just twenty-seven months after the date of the first payment, made on June 1, 1871.

The total cost to France, including interest and expenses of collection and transmission, amounted

to about £212,645,000. The whole was discharged in cash, or its equivalents, with the exception of a sum of £13,000,000 which the German Government agreed to allow as the value of the railways taken over in Alsace-Lorraine. It should be observed, however, that these railways were privately owned and that inasmuch as the French Government was obliged to acquire them by purchase, the transfer of the lines to Germany did not reduce the burden imposed by the indemnity on the French nation.

As a matter of fact, only a comparatively small portion was paid in coin or bullion. The greater part of the instalments was discharged by the transmission of commercial bills. These were purchased by the French Government or its agents in foreign countries, in the open market. In the case of some £28,000,000 of the second loan, a syndicate of European bankers acted as intermediary in the purchase of the bills.

It will be remembered that the conversion of bills which were not expressed in Germany currency was to be effected at the expense of the French Government. This expense, in the case of the first two milliards, amounted to over half a million sterling, and in discharging the later instalments the French government evaded the greater part of this expense by purchasing bills on Germany with the proceeds of non-German paper, so that 88 per cent. of the last three milliards was in German legal tender.

The payment of the indemnity is summarised by Mr. O'Farrell as follows :

	£	£
German notes and coin collected		
in France after the war	4,201,000	
French gold and silver	20,492,000	
French bank-notes accepted by Germany as a matter of favour	5,000,000	
	<hr/>	
Total coin and notes		29,693,000
Bills on Germany	122,614,000	
Bills on other countries	47,338,000	
	<hr/>	
Total bills		169,952,000
Value of Alsace-Lorraine rail- ways allowed in account		13,000,000
		<hr/>
Grand Total		<u>£212,645,000</u>

The funds required by the French Government for the discharge of the indemnity were raised by means of three great loans, the first of which, amounting to £61,200,000, was obtained from the Bank of France, while the other two were raised by public subscription. The actual amounts so subscribed were, in round figures, £89,000,000 and £140,000,000. The whole of the loan from the Bank of France, about 72 per cent. of the first public loan and about 86 per cent. of the second, were applied to payment of the indemnity. The interest on the instalments was charged to the budgets of 1872 and 1873. Mr. O'Farrell notes the singular fact that the largest percentage of foreign subscriptions to the second public loan came from Germany and was no less than 33 per cent.

On the general question of payment of the indemnity he remarks :

The transfer of this huge sum from the one country to the other involved banking operations of the utmost difficulty and delicacy, which at the outset appeared likely to impair French credit and throw the international monetary system into confusion. Thanks, however, to the able management of the French treasury officials and bankers, and to the hitherto unapprehended strength and close interrelation of the money-markets of Europe, the transactions were carried through with the utmost smoothness and without the slightest disturbance of international credit.

Data with regard to the manner in which the indemnity was utilised by Germany are less readily available than with regard to the methods of payment by France. It appears that out of £222,684,000 received through the indemnity and the separate contributions levied on Paris and other large cities, some £102,000,000 went to the Imperial Government, £96,525,000 to the North German Confederation, and £23,334,000 to the other German States.

Part of the amounts thus received was expended in the repayment of loans which had been raised at disadvantageous rates for the conduct of the war, the debt of the North German Confederation (£13,000,000) being thus extinguished.

Another important purpose to which the indemnity was applied was the placing of the German currency, which had previously been based on silver of diverse denominations, on a uniform gold

basis. The practical difficulties were great, but they were eventually overcome, and the conversion was effected at a cost of something like £4,000,000.

In order to provide against a French war of revenge, which was anticipated in Germany as soon as the German troops should have evacuated French territory, a sum of £6,000,000 in gold was interned in the fortress of Spandau. An addition was made to this deposit, it will be remembered, some two years ago, but in all probability the treasure-chest has by this time been emptied for the purposes of the present war.

Of the amount received by the Imperial Government, £1,200,000 was devoted to the erection of buildings for the Reichstag and about £21,300,000 to railway development in Alsace-Lorraine and the completion of the Wilhelm-Luxembourg line. The sums allotted to the separate States are believed to have been expended mainly in repairing the damages resulting from the war and for military purposes; and of that allotted to the North German Confederation, some £20,000,000, which was not specifically appropriated, may have been expended on objects of a civil nature. The bulk of the indemnity, however, appears to have been used for military purposes. The Pension Fund for invalid soldiers and the amounts devoted to fortification alone absorbed some £40,000,000.

Only a small portion of the funds devoted to military purposes, however, could be immediately utilised for such ends, and a great part of the balance

was in the meantime lent at interest through the agency of the German banks. With regard to these operations, Mr. O'Farrell remarks: "Much contemporary and some later criticism has been directed at this and similar loan operations of the German Government, and many writers have held it responsible for the disastrous speculation which ensued later and culminated in crises in Austria and Germany." He gives reasons for doubting the soundness of this view and suggests that "the concentration of these large sums in the hands of the German Government merely contributed to increase somewhat the severity of a movement which it did not initiate." He considers that "the funds at the disposal of the Government appear to have been judiciously invested, and that in the opinion of influential authorities it had really no option in the matter"; and quotes the *Economist* of December 23, 1872, which wrote: "To have cooped up the French indemnity in cash would have caused a financial famine and financial ruin all through Europe."

Contemporary opinion thus inclined to the belief that the indemnity payments were a source of economic injury to the recipient nation rather than to that which paid them, and ingenious theories were advanced to explain this paradox. Mr. O'Farrell dissents altogether from this view, and investigates at some length the data of various kinds available for estimating the economic and financial effects of the indemnity transaction upon

France, Germany, and the world in the decade following the war. His conclusions, on the whole, are that the period was one of equal recuperation for both countries ; and that the depression which Germany experienced was purely financial and shared by her with practically the whole of the civilised world, east and west, although, of course, the extent to which different nations were affected by world-wide causes naturally varied somewhat as a result of local conditions. France, for example, largely escaped the full force of the financial tempest, but so also did Spain and Italy ; and although it has been suggested that the comparative immunity of France was due to some extent to the financial effects of the payment of the indemnity, there does not seem to be any valid reason for adopting this view.

The period of depression which the world in general was then passing through was evidently due to this sudden cessation of the previous over-production, though the European speculation and the building mania in Berlin in particular had been doubtless aggravated by the popular delusions connected with the receipt of the French milliards, and still more by the new sense of security which the German victories had legitimately engendered. France was spared the full effects of the crisis, partly owing to the cautious habits of the people in general, and perhaps because the floating of the two war loans had absorbed much French capital ; but also, in great measure, in consequence of the recent opening of the Suez Canal, which favoured the trade of Marseilles, and directed into the channels of domestic production funds that would have otherwise found an outlet in foreign enterprises. The same cause

would also seem to have been at work in the case of Italy, and, in a lesser degree, of Spain, two countries which possessed Mediterranean ports and have already been mentioned as but slightly affected by the prevailing depression.

In any case the recovery of France from the effects of the war would probably have been rapid. Such recovery, as Mill had pointed out long before in a well-known, but periodically forgotten, passage of his *Principles of Political Economy*, is quite a common phenomenon, the simple explanation of which lies in the perpetual consumption and reproduction which is the normal condition of capital.

He then quotes Mill as follows :

What the enemy have destroyed—in the case of the indemnity we may add or “appropriated”—would have been destroyed in a little time by the inhabitants themselves: the wealth which they reproduce would have needed to be reproduced, and would have been reproduced in any case, and probably in as short a time. Nothing is changed, except that during the reproduction they have not now the advantage of consuming what had been produced previously. The possibility of a rapid repair of their disasters mainly depends on whether the country has been depopulated. If its effective population have not been extirpated at the time and not starved afterwards; then, with the same skill and knowledge that they had before, with their land and its permanent improvements undestroyed, and the more durable buildings probably unimpaired or only partially injured, they have nearly all the requisities for their former amount of production.

The view that the indemnity was the foundation of the prosperity which Germany so abundantly manifested in after years is also dealt with by Mr. O'Farrell, who shows that the importance of the

French milliards in the so-called "fertilisation" of German industries has been much exaggerated, and that the true *Gründjahre* were not the ten years that followed the war, but the twenty that began with the establishment of the Zollverein.

INDEX

- Adrianople, Bulgarian claims to, 135
- Adriatic, Italy and, 123-124, 126
- Albania, problem of, 125-127
- Alexander I, Tsar
and Holy Alliance, 57
his scheme for a remodelled Europe, 254
- Allen, Mr., New Zealand Defence Minister, on expedition to Samoa, 177
- Alliances :
mutability of, 268-269
See also "Balkan League," "Concert of Europe," "Dual Alliance," "Triple Alliance"
- Allies :
objects of the, 44-45, 69-70
settlement must be agreeable to all, 84
the opportunities of, 163, 285-287
principles represented by, 249-251
Mr. Churchill on objects of, 256-257
- "All-red route," German East Africa and, 186-187
- Alsace-Lorraine :
annexation of, 34-35
effect of annexation on German policy, 56
problem of, 148-152
- Annexation. *See* "Conquest"
- Arabs. *See* "Turkey, Asiatic"
- Armaments :
as a means of averting war, 6
burden of, 79, 251-253
difficulties of limiting, 253-254, 264
disarmament by consent, 283-284
- Armenia. *See* "Turkey, Asiatic"
- Asquith, Mr. :
on object of Allies, 78
on European partnership, 263
- Australia, Commonwealth of, and German Pacific Colonies, 188, 190
- Austria. *See* "Austria-Hungary"
- Austria-Hungary :
policy of and responsibility for war, 12
ultimatum to Serbia, 18
case against Serbia, 19, 20
character of Empire, 20-24
friction between Austria and Hungary, 22
policy with regard to Serbia, 24-26
attitude of European statecraft to, 26
a menace to European peace, 27
Empire based on force, 27, 64
mandate to administer Bosnia-Herzegovina, 27
conflict of policy with Russia, 28-30
annexation of Bosnia-Herzegovina, 30
not included in Zollverein, 32
and the outbreak of war, 39-40
no national unity in, 62
racial problems of, 86-90
annexes Cracow, 94
relations with Italy, 141-143
position of, after the war, 156-158
statistics of, 289-290
See also "Bohemia," "Bosnia-Herzegovina," "Bukovina," "Carinthia," "Carniola," "Coastland," "Dalmatia," "Domination," "Galicia," "Moravia," "Poland,"

- ' Southern Slavs " "Transylvania," "Trentino," "Trieste"
- Bagdad Railway, apprehensions excited by, 199
- Balfour, Mr. A. J. :
on object of Allies, 70
on community of nations, 261, 262
- Balkan League :
break-up of, 54, 133-134
possible revival of, 136-138, 145, 273
- Balkan States. *See* "Albania," "Balkan League," "Bulgaria," "Greece," "Montenegro," "Roumania," "Serbia"
- Belgium :
German invasion of, 2
sufferings of, 3
Flemings and Walloons united in, 14, 21, 61-62
German strategic railways and, 37-38
pan-Germans and, 38
German crimes in, 44, 210
suggested union of Alsace and Luxemburg to, 152
territorial compensation to, 153
See also "Indemnities"
- Berlin, Congress of, errors of, 82
- Bessarabia, Roumania and, 129, 132
- Bismarck, Prince, his policy, 32, 35, 141
- Bismarck Archipelago. *See* "Pacific, German Colonies in"
- Black Sea, Russia denounces treaty relating to, 49
- Bohemia :
racial problems of, 109-110, 289
future of. *See* "Czechs"
- Bosnia-Herzegovina :
annexed by Austria, 26, 30
Austrian administration of, 27-28
character of population, 114, 289
religions in, 121
See also "Jugoslavia"
- Botha, General :
and German South-West Africa, 183
quoted, 184
- Brazil, German colonists in, 198
- Britain. *See* "Great Britain"
- British Empire :
nature of, 63-64, 166-167
- British Empire :
See also "Colonies," "Dominions, British," "India"
- Bukovina, racial problems of, 106, 128, 289
See also "Roumanians," "Ruthenes"
- Bulgaria :
attacked by Serbia in 1885, 25
relations with other Balkan States, 133-134
and question of Macedonia, 133-135
and Thrace, 135, 138
- Cambon, M., on object of Allies, 78
- Cameroons. *See* "Kamerun"
- Canada, British and French united in, 14
- Carinthia :
racial problems of, 114, 289
See also "Jugoslavia"
- Carniola :
racial problems of, 114, 289
See also "Jugoslavia"
- Caroline Islands. *See* "Pacific, German Colonies in"
- Castlereagh, Lord :
on principles of peace in 1815, 53
on principles of the Holy Alliance, 58
and abolition of the slave-trade, 80
- Churchill, Mr. Winston, on objects of the Allies, 256-257
- Cilicia. *See* "Turkey Asiatic"
- Coastland :
racial problems of, 114, 146, 289
See also "Jugoslavia," "Trieste"
- Colonies :
as spoils of war, 165
Spanish and British colonial policy, 166, 207
agreement between Britain and France as to, 168
the scramble for Africa, 169
general considerations of colonial policy, 191-195
political concession-hunting, 192-193
co-operation in world-development, 194-195
policy of exploitation, 205
as markets, 205
value of tropical, 205-206
British policy in India, 207

- Colonies :
 cannot be regarded in terms of capital value, 208
See also "Colonies, German," "Dominions, British"
- Colonies, German :
 German Colonial policy and Anglo-German relations, 36-37
 extent of, 164
 considerations affecting disposal of, 164-165
 history of acquisition of, 168-170
 statistics of, 170
 and German emigration, 171
 German Colonial policy, 171
 arguments for and against annexation of, 171-177
 Mr. H. S. Egerton on annexation of, 172
 as storehouses of raw material, 172-173
 as naval bases, 174-175
 strategic reasons for operations against, 175-176
 the British Dominions and, 176-177
 as pledges for indemnity, 216
See also "German East Africa," "German South-West Africa," "Kamerun," "Kiau-Chau," "Pacific, German Colonies in," "Togoland"
- Compensation :
 for breaches of laws of war and destruction of private property, 243-244
 to Belgium. *See* "Indemnities"
- Concert of Europe :
 possibility of a European *entente*, 78-80
 the international partnership, 245-247
 services of, 250
 Sir Edward Grey on, 259-260, 263
 Mr. Balfour on community of nations, 261, 262
 Mr. Asquith on European partnership, 263
 possible organisation of, 263 *et seq.*
 small States and, 272-274
 difficulties of International Council, etc., 274-276
 dangers of prematurity, 276-281
 United States and, 284-285
- Concessions. *See* "Colonies"
- Confederation of the Rhine, collapse of, 48
- Conquest :
 motives of, 8-9
 conquered provinces as sources of unrest, 55
 militarisation of conquerors, 55-56
 material advantages of, 200-207
 revenues of conquered territory expended locally, 201
 adds to military power of conqueror, 202
 drawbacks of, 202, 204
 control of raw material, 203
See also "Colonies," "Domination"
- Constantinople, problem of, 138-141
- Co-operation :
 doctrine of, 13-15
 for world development, 194-195
 economic, 245-247
- Cracow, Duchy of :
 guarantees violated, 66
 annexed by Austria, 94
- Crimean War, motives of, 139
- Croatia-Slavonia :
 racial problems of, 114 *et seq.*, 289
See also "Jugoslavia"
- Croats. *See* "Southern Slavs"
- Cromer, Earl of, quoted, 201
- Culture :
 conflicts of, 8
 and military power, 9-10, 68-69
- Czechs :
 in Bohemia and Moravia, 109
 history and aspirations of, 109-110
 future of, 111-113
 relation to Slovaks, 113
 in Austria-Hungary, 290
- Dalmatia :
 racial problems of, 114, 123, 144, 289
 Italian interests in, 123-125, 144-145
See also "Jugoslavia"
- Danzig, and the new Poland, 101-102
- Dardanelles. *See* "Constantinople"
- Denmark :
 geographical position and independence of, 63
See also "Schleswig-Holstein"

- De Wet. *See* "South African Union"
- Dobrudja acquired by Roumania, 129
- Dominion :
policy of, 8-11
Germany and Austria as exponents of, 12
responsible for the war, 41
- Dominions, British :
British policy and, 166-167
and German Colonies, 175-177
and proposal for Allied Zollverein, 238
See also "Australia, Commonwealth of," "New Zealand," "South Africa, Union of"
- Dual Alliance :
formation of, 35
political results of, 36
- East Prussia. *See* "Poland"
- Economics :
in relation to policy, 244-247
See also "Colonies," "Conquest," "Fiscal arrangements," "Indemnities"
- Egerton, Mr. H. S., on annexation of colonies, 172
- Egypt :
work of Great Britain in, 194
British protectorate of, 199 *n.*
- Epirus and Greece, 125-126
- Finland, geographical position and political relations of, 63
- Fiscal arrangements :
in the settlement, 233-234
and German competition, 234-237
Zollverein of the Allied Powers, 235, 237-238
discriminating duties, 235, 236-237
counter-bounties, 235, 239
export duty on German manufactures, 236, 240
and military victory, 240-241
and territorial rearrangements, 241-242
- Fiume, economic relations of, 158
- Force, its failure to enforce respect, 69
- France :
not crushed by fall of Napoleon, 4
forms Dual Alliance with Russia, 35
- France :
entente with Great Britain, 37
Morocco crisis, 38
and the outbreak of war, 39-40
rapid recovery from defeat, 49
protest against annexation of Cracow, 94
agreement with Great Britain as to Colonies, 168
interests in Syria, 196
fear of Germany, 257
See also "Alsace-Lorraine"
- French Revolution and principle of nationality, 60
- Galicia :
Poles and Ruthenes in, 96-97, 106, 289
annexation of, by Russia, 107
future of. *See* "Poland," "Ruthenes"
- German East Africa :
acquisition of, 170
description of, 185-186
future of, 186-187
- German South-West Africa :
acquisition of, 170
description of, 180-182
future of, 182-185
See also "South Africa, Commonwealth of"
- Germany :
recovery after Jéna, 4
policy of, and responsibility for war, 12
supports Austria against Russia, 30
unification of, 31-33
foreign policy controlled by Prussia, 33
moral effects of war of 1870 on, 33-34
subject populations of, 34
annexation of Alsace-Lorraine, 34-35
diplomatic conflict with Russia, 36
relations with Great Britain, 36-39
and the outbreak of war, 39-40
can Germany be crushed? 42-52
military defeat of, essential, 43
Napoleon's attempt to crush, 45-47
renaissance of, 47-49
Times military correspondent on impossibility of crushing, 50

Germany :

- cannot be dismembered, 51-52
- reforms must come from within, 51-52
- position after the war, 77, 157
- racial problems of, 90-91
- victory would be disastrous to, 249
- fear of Russia, 257-258, 271
- future of, 271-272

See also "Alsace-Lorraine," "Colonies, German," "Domination," "Indemnities," "Poland," "Schleswig-Holstein," "Triple Alliance"

Great Britain :

- her part in the war and the settlement, 7
- relations with Germany, 36-39
- entente* with France, 37
- supports France in Morocco crisis, 38
- and the outbreak of war, 39-40
- attitude to Holy Alliance, 58
- policy at Congress of Vienna, 59
- protests against annexation of Cracow, 94
- protests against withdrawal of Polish constitution, 96
- agreement with France as to Colonies, 168
- See also "British Empire," "Egypt," "India"

Greece :

- and Epirus, 125-126
- claim to Aegean Islands, 145
- interests in Smyrna, 196

Grey, Sir Edward :

- at London Conference 1912, 38
- on Concert of Europe, 259-260, 263

Guarantees :

- of Belgium, 37, 40
- value and limitations of, 66-67
- mutual, against aggression, 266-268

Herreros. See "German South-West Africa"

Hohenzollern House :

- symbol of German hopes after Jéna, 48
- in Roumania, 129-130
- philosophy of force, 251

Holland, pan-Germans and, 38

Holy Alliance :

- principles of, 57-58
- Castlereagh on principles of, 58
- attitude of Great Britain to, 58-59

Hungary. See "Austria-Hungary"

Iceland, law and the community in, 278

Indemnities :

- complexity of question, 208
- motives of, 209
- in present war, 209-211
- could Allies recover cost of war, 211-214
- capital levies, 213-214
- instalments, 214-215
- political effects of, 215, 220-223
- pledges for payment of, 215-216
- effects on money markets, 216-217

Franco-German, 217-218, 291-300

loans for, 218-219

- partial recoupment by, 219-220
- and German armaments, 223
- economic effects of, 224-227
- by issues of stock or confiscation of investments, 227-229
- and repudiation, 229-230
- compensation to Belgium, 230-233

restoration of devastated areas, 233

India :

Constantinople and the route to, 139

- and German East Africa, 186
- work of Great Britain in, 194
- economic advantages of connection with, 207

British policy in, 207

Istria. See "Coastland," "Pola," "Trieste"

Italy :

declaration of neutrality by, 40, 41

and Dalmatia, 123-125, 144-145

and Albania, 123, 125-127

relations with Jugoslavia, 123-125, 145, 146-147

relations with Austria, 141-143

Italia irredenta, 142-144

foreign policy of, 142-144

and the Trentino, 143, 144

Italy:

- friendship with Roumania, 145
- possible compensations in Asia Minor, 145
- occupation of Greek islands, 145
- and Trieste, 145-147
- and Cilicia, 196

Japan and Kiau-Chau, 191

Jéna, Battle of, effects in Germany, 4, 45

Jugoslavia:

- kingdom of the Southern Slavs, 118
- possible constitution of, 118-124
- boundaries of, 121-124
- the Slovenes of Carniola, 122
- the problem of the Coastland and Dalmatia, 122-124
- Italy and, 123-125, 145, 146-147

Kaiser Wilhelm's Land. *See* "Pacific, German Colonies in"

Kamerun:

- acquisition of, 170
- description of, 179-180
- future of, 180

Kiau-Chau:

- acquisition of, 170
- description of, 191
- future of, 191

Kiel Canal, question of, 154-156

Königsberg and the new Poland, 101

Kossuth, his attitude to the Slavs, 23

Law, international:

- and the law of struggle, 71
- development of, 277-280

Leipzig, Battle of, desertion of Saxons from Napoleon, 48

Lewin, Mr. Evans, on the scramble for Africa, 169

London Conference, 1913, co-operation of Britain and Germany, 38

Louis XIV:

- beaten by united Europe, 4
- interferes in German affairs, 31
- acquires Alsace, 148

Luderitz Bay. *See* "German South-West Africa"

Luxemburg, suggested union with Belgium, 152

Macedonia, problem of, 133-135

Magyars:

- the dominant race in Hungary, 21-22
- reactionary rule of, 22-23, 88, 113, 115-116, 128-129, 157

Maine, Sir Henry, on international law, 279

Marianne Islands. *See* "Pacific, German Colonies in"Maritz, Colonel. *See* "South Africa, Union of"Marshall Islands. *See* "Pacific, German Colonies in"Mesopotamia. *See* "Turkey, Asiatic"

Metternich, reactionary influence of, 57

Milan, King, his subservience to Austria, 25

Moldavia. *See* "Roumania"Monastir district. *See* "Macedonia"

Montenegro, relations with Serbia and position in settlement, 127

Moravia:

- racial problems of, 109, 289
- future of. *See* "Czechs"

Morocco Crisis, 1911, Great Britain supports France, 38

Napoleon:

- beaten by united Europe, 4
- interferes in German affairs, 31
- his attempt to crush Germany, 45-47
- German rising against, 47-49
- creates Duchy of Warsaw, 94

Nationality:

- Congress of Vienna disregards, 59-61
- definition of, 61-62
- principle of, 62-63
- and Empire, 63-64
- and democracy, 64
- and European peace, 64-65
- and autonomy, 65-66
- and guarantees, 67
- and strategical considerations, 72-73
- difficulties in applying principle of, 84
- geographical and economic factors and, 85
- protection of minority populations, 162

Neutrals, should they have a voice in the settlement? 74-76
 New Guinea, German. *See* "Kaiser Wilhelm's Land"
 New Zealand and German Pacific Colonies, 177, 188, 190

Outrages, possible inquiry into, 210

Pacific, German Colonies in :
 acquisition of, 170
 description of, 187-190
 operations against, 190
 future of, 190
 Australia and New Zealand and, 190

Palestine. *See* "Turkey, Asiatic"
 Patents and "licences to manufacture," 243

Peace :
 essentials of a permanent, 6
 desirable in itself, 248-249
 Pelew Islands. *See* "Pacific, German Colonies in"

Phillips, Mr. Alison, quoted, 255

Plébiscites :
 in Alsace-Lorraine, 150, 152
 in Schleswig-Holstein, 154
 difficulties of, 161

Pola, Austrian naval base, 146

Poland :
 and German politics, 56, 105
 partitions of, 93-94
 history of Russian, 94-96
 population of Russian, 96
 history of Austrian, 96-97
 character of Prussian rule in, 97-98

Russian proclamation to, 98
 frontiers of the new, 100-103
 prospects of the new, 103-105
 Police, international, impracticability of, 67, 275

Policy of nations, shifting character of, 4-5

Pollock, Sir Frederick, on law of nations, 277-278

Posen. *See* "Poland"

Prussia :
 recovery after Jéna, 4
 policy of, in eighteenth century, 31
 and unification of Germany, 32
 militarist traditions of, 33
 military caste must be discredited, 43

Prussia :
 state of, after Peace of Tilsit, 45-46
 renaissance of, 47-49
 South Germans and, 51, 157

Prussianism :
 revolt against, 2
See also "Domination"

Rose, Dr. Holland, quoted, 198

Roumania :
 history and policy of, 129-130
 possible intervention of, 130-132
 Roumanians (in Austria-Hungary), problems of, 127-133, 290
 Rush-Bagot Treaty, as a precedent, 283

Russia :
 fear of Russia has led to support of Austria, 26
 conflict of policy with Austria in Balkans, 28-30
 Balkan policy of, 28-29
 protests against annexation of Bosnia-Herzegovina, 30
 conflict of policy with Germany, 36
 and the outbreak of war, 39-40
 denounces treaty of 1856, 49
 proclamation to Poles, 98
 German influence in, 99
 and decentralisation, 99, 107
 annexation of Galicia, 107
 and Jugoslavia, 121
 Roumania and Bessarabia, 129, 130, 132-133
 German fear of, 257-258, 271
See also "Constantinople," "Poland," "Ruthenes"

Ruthenes :
 sacrificed to Poles by Austria, 97
 in Galicia and Bukovina, 106, 289
 problem of, 107-109
 in Austria-Hungary, 290

Salonika, economic importance of, 136

Samoa, German. *See* "Pacific, German Colonies in"

Savaii. *See* "Samoa, German"

Scharnhorst, his reorganisation of Prussian army, 48-49

Schleswig-Holstein, problem of, 153-156

Scutari, Montenegrin claim to, 127

- Sea, roads to :
 economic importance of, 242
 See also "Fiume," "Salonika,"
 "Trieste"
- Sebastopol, Russia denounces treaty
 relating to, 49
- Serajevo, murder of Archduke at,
 17
- Serbia :
 Austrian ultimatum to, 18
 her case against Austria, 20
 Austrian policy with regard to,
 24-26
 tariff war with Austria, 25
 war of 1885 with Bulgaria, 25
 and the outbreak of war, 40
 as leader of the Southern Slavs,
 116, 117-118, 119
 record and future of, 119-120
 Concordat with the Vatican, 121
 need of a sea coast, 123
 and Montenegro, 127
 See also "Balkan League,"
 "Bulgaria," "Jugoslavia"
- Serbs. *See* "Southern Slavs"
- Ships, interned, confiscation of,
 242-243
- Silesia, Prussian. *See* "Poland"
- Slave Trade, abolition of, 80
- Slovaks :
 relation to Czechs, 113
 future of, 113
 in Austria-Hungary, 290
- Slovenes. *See* "Southern Slavs"
- Smyrna, Greek interests in, 196
- Social Democrats, opposed to
 Prussian militarism, 51-52
- Solomon Islands. *See* "Pacific,
 German Colonies in"
- South Africa, Union of :
 British and Dutch united in, 14
 and German South-West Africa,
 182-185
 rebellion of De Wet and Maritz,
 183
- Southern Slavs :
 distribution of, 113-114, 289, 290
 condition of, in Austria-Hungary,
 115-116
 growing unity of Serbs and
 Croats, 116
 aspirations of, 116-120
 autonomy not now acceptable to,
 120
 problem of religions, 121
 the Slovenes and Jugoslavia, 122
- Southern Slavs :
 problem of the Coast provinces,
 122-125, 146-147
 See also "Bulgaria," "Jugo-
 slavia," "Montenegro," "Ser-
 bia"
- Spain, ruinous colonial policy of,
 166, 205, 207
- Strategy :
 and annexation of Alsace, 35,
 149,
 in relation to policy, 71-72, 159-
 160
 rectification of frontiers, 72-74
 importance of Valona, 126
 the question of Constantinople,
 139-140
 the Adriatic question, 146
 the question of coaling stations,
 174-175
 operations against German colo-
 nies, 175-176
- Struggle, law of :
 in relation to the theory of domin-
 ation, 9-11
 incompatible with international
 law, 71
- Sums held in trust, confiscation of,
 242-243
- Switzerland :
 Union of races in, 21, 62
 Italians in, 142
- Syria. *See* "Turkey, Asiatic"
- Thrace. *See* "Bulgaria"
- Tilsit, Treaty of :
 effects in Germany, 46
 real result of, 49
- Times* Military Correspondent
 quoted, 50
- Togoland :
 acquisition of, 170
 description of, 178
 future of, 179
- Transylvania. *See* "Roumanians"
- Trentino, problem of, 141-144
- Trieste :
 problem of, 141, 143, 145-147
 economic relations of, 146-147
- Triple Alliance :
 effects on Balkan policy, 30
 Dual Alliance formed to balance,
 35
 Italy refuses to support, 40
 Italy and, 142, 143
 and the Triple Entente, 263

- Turkey :
 Russian and Austrian policy towards, 28-29
 Young Turk revolution, 30
 doom of, 138
- Turkey, Asiatic :
 German designs on, 35-36
 Possible break-up and problem of, 195-199
 Arab national movement, 196
 Russia and Armenia, 196
 France and Syria, 196
 Italy and Cilicia, 196
 Greece and Smyrna, 196
 a Jewish Palestine, 196
 the question of Mesopotamia, 198
- Tyrol. *See* "Trentino"
- Ukraine, the Ruthenes and, 106-107
- United States and the community of nations, 284-285
- Upolu. *See* "Samoa, German"
- Valona, strategic importance of, 126-127
- Venetia, acquired by Italy in 1866, 141
- Vienna, Congress of :
 its achievements and reasons of its failures, 57-61, 65
 and abolition of Slave Trade, 80
- Vienna, Congress of :
 errors of, 82
 extinguished Duchy of Warsaw, 94
 Alexander I and, 254
 Mr. Alison Phillips on, 255
- Vistula, River. *See* "Poland"
- Walfisch Bay and German South-West Africa, 185
- Wallachia. *See* "Roumania"
- War :
 preparation for, does not avert, 6
 is it inevitable? 6
 root causes of, 8
 issues of the present, 15, 249
 few advocates of war for war's sake, 248
- Warsaw, Duchy of. *See* "Poland"
- Wellington, Duke of, quoted, 44
- Westphalia, Kingdom of, formed by Napoleon, 46
- West Prussia. *See* "Poland"
- Zollverein, German, paved the way to political union, 32
- Zollvereins :
 value of, 66
 possible Balkan Zollverein, 138, 145
 suggestion of an allied, 235, 237-239

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